



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

NORWAY

This report, prepared for the seventh Trade Policy Review of Norway, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Norway on its trade policies and practices.

Any technical questions arising from this report may be addressed to John Finn (Tel: 022/739 5081); Cato Adrian (Tel: 022/739 5469); or Denby Probst (Tel: 022/739 5847).

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SUMMARY

1. Norway has an advanced economy with a per capita GDP among the highest in the world at Nkr 621,400 (US\$ 75,200) in 2017. Trade is important to the economy, with imports and exports of goods and services equivalent to 63% of GDP in 2017. Although the value of exports declined in U.S. dollar terms from US\$ 161 billion (in 2012) to US\$ 102 billion (in 2017), this reflected the fall in oil and gas prices rather than a change in volume exported. The fall in petroleum prices also led to a decline in that sector's contribution to GDP, from nearly a quarter of GDP in 2012 to less than 16% in 2017, while the contribution from services increased from 58% to 64%.

2. Over the years, Norway has accumulated substantial amounts of petroleum revenue in a sovereign wealth fund (the Government Pension Fund – Global). The Fund, which is invested entirely outside of Norway, held assets valued at more than US\$ 1 trillion at the end of 2017. The size of the Fund provides the authorities with some leeway to mitigate economic downturns and counter external shocks. The effects of the global financial crisis of 2008-09 were thus short-lived in Norway, and the economy returned quickly to its historical growth path, reaching 2.7% growth in GDP in 2012. However, the significant decline in the prices of oil and gas since mid-2014 posed a much more serious challenge than the earlier global downturn. The contraction in offshore-related industries and supply services affected local communities in the form of rising unemployment and declining incomes. However, a combination of expansionary fiscal and monetary policies contained the effect on the national economy as growth in GDP continued but at a modest 1% in 2016. In addition, a marked depreciation of the Norwegian krone helped to restore the competitiveness of Norwegian businesses – a competitiveness regularly eroded in times of high oil prices. Signs of economic recovery grew stronger during 2017 when real growth in GDP was 1.8%, and the current outlook for the Norwegian economy is positive.

3. Despite the recent challenges, Norway has remained an open economy and there have been no fundamental changes in its trade policies since the last Trade Policy Review in 2012. The policies are firmly anchored in the European Economic Area (EEA) Agreement *vis-à-vis* the European Union; Norway's membership in the European Free Trade Association (EFTA), providing an extensive network of free trade agreements with partners around the world; and Norway's active participation in the WTO.

4. Since 2012, Norway has accepted the Trade Facilitation Agreement, implemented the revised ITA and pharmaceutical product coverage, completed procedures for adopting the revised GPA, and committed to phasing out all remaining agricultural export subsidies. It has an exemplary record in terms of meeting its notification obligations. It has been a third party in 82 dispute settlement cases, has never been a respondent, and was a complainant four times, most recently in the EC – Seal Products case (DS401) with the report of the Appellate Body circulated in May 2014.

5. As a member of the EEA, along with Iceland, Liechtenstein and the EU member States, Norway is (with the exception of agriculture and fisheries) part of a single market with free movement of goods, services, persons, and capital, as well as non-discrimination and equal rules of competition along with cooperation in many other areas. Relevant EU legal acts are incorporated into the EEA Agreement through consensus decisions of the EEA Joint Committee which is made up of representatives of the EEA EFTA states and the European Union. The transposition into national legislation and application of these amendments to the EEA Agreement are subject to the oversight of the EFTA Surveillance Authority and the EFTA Court.

6. With few exceptions, Norway does not have any legislation restricting investment from outside the EEA, while investment from within the EEA is part of the free movement of capital. There are provisions in various sectoral laws that have an impact on foreign direct investment and a relatively small number of bilateral investment agreements that have been in place for many years. A new investment promotion entity, Invest in Norway, was established in 2013 to coordinate the Government's efforts to attract foreign investment.

7. Although Norway's investment regime is generally open and liberal, state ownership remains substantial with about 11% of the total workforce (281,000 employees) in enterprises wholly or partly owned by the State in 2016. At the same time, the market value of the State's holdings in listed companies totalled Nkr 715 billion. The State is also a major owner of unlisted enterprises.

In recent years, the Government has been reluctant to extend state ownership through acquisitions, and signalled a willingness to reduce the degree of state ownership with time. Parliament has approved the divestment of some enterprises in principle, but these authorizations will only be carried out when commercially opportune. Nevertheless, new state owned enterprises have been created to speed up the construction of motorways and major highways and as part of ongoing reforms in the railway sector.

8. The vast majority of tariffs (85% of tariff lines) are duty free but those that remain can be high, with tariffs of over 100% not unusual in many agriculture sub-sectors. Non-*ad valorem* rates of duty are also prevalent, accounting for about 50% of agricultural tariff lines. The simple average tariff rate (including AVEs of non-*ad valorem* tariffs) decreased slightly from 7.5% to 6.9% during the review period (compared to an average bound rate of 30.4%), mainly due to the autonomous liberalization of 114 agricultural tariff lines. Under Norway's preferential schemes, least developed countries are granted duty and quota free access for all goods, while other arrangements maintain significant tariffs on some agricultural goods.

9. Consumption taxes in Norway are quite high. The standard rate of VAT is 25%, although reduced rates apply to some products and services, such as food (15%) and transport (12%), while exports are zero rated and some services are exempt. Excise taxes are applied as specific duties on some products including beverages, tobacco, sugar and some products containing sugar, electrical power, fuel for road vehicles, cars, and air passengers. These excise duties are regularly revised to account for inflation. Exceptionally, the duty on chocolate and sugar products was increased by 83% in January 2018. Consumption and excise taxes are applied equally to imported and domestically produced goods.

10. Norway's import prohibitions, restrictions, and licensing have remained largely unchanged during the review period, although new measures have been put in place through new regulations on preventing the introduction and spread of foreign organisms, and new CITES regulations are being developed to broaden the scope and extend certain provisions beyond CITES.

11. Norway has not resorted to any contingency measures since the creation of the WTO. Furthermore, while the Customs Act contains provisions for anti-dumping, countervailing, and safeguard measures, there are no detailed regulations giving effect to these provisions, or designated institutions to apply them.

12. A number of government entities are involved in the provision of export finance, guarantees, and credits. A new export credit facility, Export Credit Norway (Eksportkreditt Norge), was established in July 2012 for all new officially-supported export loans. As a result, the traditional export financing agency, Eksportfinans ASA, is being phased out. Norway's Export Credit Guarantee Agency (GIEK) continues to issue guarantees on behalf of the Government and has developed in recent years a number of new products such as a new buyer credit guarantee for export-related investments and a new ship guarantee scheme.

13. Technical requirements and SPS measures are, to a large extent, within the EEA, and Norway's measures are, in most cases, identical to those that apply throughout the single market. The principal changes implemented since 2012 related to national alignment with EU legislation, including implementation of EU regulations relating to novel foods, pesticide residues, and the official control of some pollutants in foodstuffs.

14. Much of the EU *acquis* on intellectual property is considered to be of EEA relevance and has been included in the EEA Agreement and incorporated into national legislation in Norway, including the European Union's Trade Marks Directive, the European Designs Directive, the Patents Directive (Directive on the legal protection of biotechnological inventions), as well as the EU Regulations on supplementary protection certificates for pharmaceuticals and plant protection products. Norway is a party to the European Patent Convention and thus a member of the European Patent Organization. Although the EEA countries are not covered by the trade mark and community design schemes of the European Union, Norway adopted a new Trademarks Act in 2010, *inter alia*, to codify the principle of EEA regional exhaustion. EEA regional exhaustion is applicable to copyright, trademarks, patents, industrial designs, layout designs (topographies) of integrated circuits, and plant breeder's rights. On 1 July 2013, the amended law on industrial property rights

entered into force which includes new provisions on damages, corrective measures, and enhanced criminal sanctions.

15. There have been no major changes in levels and means of support to the agricultural sector in the period under review. However, measures regulating the production of milk and poultry have become somewhat more flexible. The import regime for agricultural products is closely linked to the domestic market regulation for key commodities produced in Norway. High applied tariffs, frequently over 100% for live animals, meat, dairy products, and cereals, leave market access to be regulated through tariff quotas and administrative tariff reductions for many items. Border protection was increased by switching from specific to *ad valorem* import duties for liquid milk and cream in 2010 and, again, for certain hard cheeses, beef (steaks and fillets), and lamb meat in 2013. The current Government has stated that it has no plans to make further changes in the specific/*ad valorem* tariff structure, taking due account of the interests of Norwegian consumers and Norway's trading partners. Consistent with the Nairobi Package adopted at the WTO Ministerial Conference in December 2015, Norway has legislated for the elimination of agricultural export subsidies by the end of 2020. Although volumes have been declining, cheese exports still absorb about 8% of the raw milk produced in Norway.

16. The fisheries sector accounted for 12% of exports in 2016. During the review period, aquaculture growth was stronger than that of wild catch, in particular for salmon production, which accounted for 78% of production and 68% of exports in 2016. The increase in the value of production of salmon was principally due to higher prices rather than increased volumes. Government policy has focused on the aquaculture sector, particularly management, to regulate growth and incorporate environmental issues when issuing new production licenses. Norway has been actively engaged in the WTO negotiations to prohibit fisheries subsidies, and also had a key role in the conclusion of the Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing under the Food and Agriculture Organization.

17. The forestry sector continues to contribute to the economy, employment and trade, with increasing output in recent years. A number of policies have improved the sustainable harvesting of Norway's forests, including climate policy measures that have provided incentives for increasing carbon stocks and forest densification. Even though there has been a general growth in the sector, a number of structural changes occurred during the period, which have meant a shift from Norway being a net exporter of logs to being a net importer as a result of the decline in the downstream industry, mainly the pulp and paper sector.

18. In the area of services, which represents over two thirds of GDP, public administration and other services provided exclusively or predominantly by the public sector, account for over half of the value added from services. Real estate activities, financial and insurance activities, and wholesale and retail trade, account for most of the remainder.

19. Norway's legal framework for financial institutions was updated and consolidated with the passage of the Financial Institutions Act (2015) and a consolidated regulation to accompany it in 2016. The new legislation does not fundamentally alter the conditions under which financial institutions operate in Norway. It maintained the stricter capital adequacy requirements for banks and credit institutions adopted in 2013, and introduced new capital adequacy requirements for insurance companies consistent with the EU Solvency II Directive. Since 2016, Norway's financial supervisory authorities have been participating in the European Banking Authority, the European Securities and Markets Authority, and the European Insurance and Occupational Pensions Authority in the same manner as the authorities of EU member States, but without voting rights. Work is proceeding to incorporate a backlog of some 300 EU directives and regulations in the financial markets area into the EEA Agreement. However, in most cases, Norway has not waited for the formal decision of the EEA Committee, but has adopted national legislation that mirrors the substance of new EU requirements.

20. Norway is the world's third largest exporter of natural gas and continues to be a major producer and exporter of crude oil. Although offshore discoveries generally require significant investments up-front, and profitability is therefore sensitive to future changes in petroleum prices, cost reductions since 2014 have lowered the break-even levels significantly for key ongoing projects. Norway's domestic energy market is characterized by a high share of renewable energy delivered to power-intensive industries, households, and other users in the form of hydro based electricity. A ban on the use of mineral oils in the heating of buildings, including residential homes,

will come into effect on 1 January 2020. Policies encourage the use of electric motor vehicles, and pilot projects focus on the use of electricity in public transport, including coastal traffic. A state enterprise (Enova), financed by budget transfers and a tax on electricity, provides investment support and advisory services for energy efficiency and energy transition activities. Norway has adopted the same 2030 targets as EU countries for increased energy efficiency and reductions in greenhouse gas emissions. However, Norway's 2020 target for renewables is much higher (67.5%), a reflection of Norway's differing point of departure. The target was exceeded in 2014.

21. Due to the large sovereign wealth fund and conservative prudential regulation of the financial sector, Norway weathered the global financial crisis that started in 2008 and, for Norway, the greater challenge of the decline in oil and gas prices in 2014. The growing recovery in 2017 was also helped by the decline in the Norwegian krone relative to Norway's major trading partners. In addition, membership of the EEA has been a stabilizing factor in a challenging environment, while the single market for goods and services, with uniform regulatory requirements, gives Norway access to the EU market. Furthermore, with the notable exception of agriculture, Norway gives duty free access to imports of practically all goods from all trading partners, and similar liberal treatment extends to services and investment.

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. Norway's population reached 5.3 million in early 2018. Although net migration may vary from one year to another, migration is currently a more important vector in population growth than the rise in the indigenous resident population.¹ A slowly but steadily aging population is expected to expand the future need for social services and increase the disbursement of pension benefits.

1.2. Norway owes a substantial share of its wealth to an abundance of natural resources. Industrialization took off in the early twentieth century with the tapping of hydropower resources, and development of important metal, chemical, and paper/paperboard industries. The discovery of large offshore deposits of petroleum in the late 1960s and onwards transformed Norway into a prominent world exporter of oil and natural gas. The production of crude oil peaked in 2001, followed by a decline that levelled off in 2013. The production of natural gas roughly equals that of crude oil in oil-equivalent terms. Economically viable discoveries of petroleum are still being made, and large areas of the continental shelf remain unexplored.

1.3. The significant decline in the price of crude oil since mid-2014 has affected Norway's economy negatively, particularly in the maritime supply and engineering industries linked to the offshore sector. Meanwhile, a simultaneous decline in the value of the Norwegian krone has increased profit margins in export-oriented activities such as fish farming and tourism. Norway's GDP per capita, Nkr 621,000 (US\$75,000) in 2017 (Table 1.1), remains among the highest in the world. In terms of price-adjusted GDP per capita, Norway now ranks fourth in Europe (after Luxembourg, Ireland, and Switzerland).

Table 1.1 Basic economic indicators, 2012-17

	2012	2013	2014	2015	2016 ^a	2017 ^a
GDP at current market prices (Nkr billion)	2,968	3,076	3,147	3,118	3,117	3,279
GDP Mainland Norway at current market prices (Nkr billion)	2,298	2,423	2,540	2,621	2,717	2,804
Nominal GDP (US\$ billion)	510	523	499	386	371	397
Nominal GDP Mainland Norway (US\$ billion)	395	412	403	325	324	339
Real GDP at constant 2005 prices (%age change)	2.7	1.0	2.0	2.0	1.1	1.8
Real GDP Mainland Norway at constant 2005 prices (%age change)	3.7	2.3	2.2	1.4	1.0	1.8
Nominal GDP per capita (Nkr per capita)	591,455	605,408	612,498	600,728	595,291	621,367
Nominal GDP per capita (US\$)	101,607	103,017	97,193	74,404	70,879	75,199
Unemployment rate (%) ^b	3.2	3.5	3.5	4.4	4.7	4.2
Value added by industry at basic prices (% of total value added)						
Agriculture, forestry and fishing	1.3	1.5	1.6	1.7	2.4	2.3
Mining and quarrying	25.3	24.0	21.9	18.1	14.5	15.8
Manufacture, of which:	7.4	7.4	7.6	7.7	7.6	7.6
Food products, beverages and tobacco products	1.3	1.3	1.4	1.5	1.6	1.6
Textiles, wearing apparel and leather products	0.1	0.1	0.1	0.1	0.1	0.1
Wood and paper products, and printing	0.6	0.5	0.5	0.5	0.5	0.5
Refined petroleum, chemical and pharmaceutical products	0.7	0.7	0.7	0.9	1.1	1.3
Rubber and plastic products, and other non-metallic mineral products	0.5	0.5	0.5	0.5	0.5	0.5
Electricity, gas, steam and air-conditioning supply	2.0	2.1	2.0	1.9	2.3	2.3
Water supply	0.6	0.6	0.6	0.7	0.7	0.7
Construction	5.7	5.8	6.0	6.3	6.9	7.0

¹ About one sixth of Norway's current population are immigrants or children of first generation immigrants.

	2012	2013	2014	2015	2016 ^a	2017 ^a
Services, of which:	57.7	58.8	60.4	63.5	65.6	64.4
Wholesale and retail trade, repair of motor vehicles and motorcycles	7.3	7.0	7.4	7.8	7.8	7.6
Real estate activities	6.7	6.8	7.0	7.6	7.9	7.7
Public administration and defence	5.8	5.8	6.0	6.5	6.8	6.7
Social work activities	5.4	5.6	5.7	6.0	6.3	6.2
Transport and storage	5.2	5.5	5.5	5.7	5.6	5.2
Education	4.7	4.8	4.9	5.2	5.4	5.4
Financial and insurance activities	4.4	4.8	4.9	5.0	5.3	5.2
Human health activities	4.3	4.4	4.6	5.1	5.3	5.2
Administrative and support service activities	2.7	2.7	2.7	2.7	2.6	2.6
Computer programming, consultancy and related activities	1.6	1.7	1.7	1.8	1.9	1.9
Accommodation and food service activities	1.3	1.3	1.3	1.4	1.5	1.5
Publishing, audio visual and broadcasting activities	1.1	1.1	1.1	1.2	1.2	1.2
Telecommunications	1.1	1.0	1.1	1.1	1.1	1.1
Employment (% of total full time equivalent employment)						
Agriculture and forestry	1.9	1.9	1.8	1.8	1.8	1.7
Fishing and aquaculture	0.6	0.6	0.6	0.6	0.7	0.7
Mining and quarrying	0.2	0.2	0.2	0.2	0.2	0.2
Oil and gas extraction including services	2.5	2.6	2.6	2.4	2.1	2.0
Manufacturing, of which:	9.8	9.8	9.7	9.4	8.9	8.6
Machinery and other equipment n.e.c.	2.7	2.8	2.8	2.7	2.4	2.3
Food products, beverages and tobacco	2.0	2.0	2.0	1.9	2.0	1.9
Building of ships, oil platforms and modules and other transport equipment	1.2	1.2	1.2	1.0	0.8	0.8
Repair and installation of machinery and equipment	0.8	0.8	0.8	0.8	0.8	0.8
Rubber, plastic and mineral products	0.6	0.6	0.6	0.6	0.6	0.6
Manufacture of wood and wood products, except furniture	0.6	0.6	0.5	0.5	0.5	0.5
Refined petroleum, chemical and pharmaceutical products	0.5	0.5	0.5	0.5	0.5	0.5
Electricity, gas and steam	0.5	0.5	0.5	0.5	0.5	0.5
Water supply, sewerage, waste	0.6	0.6	0.6	0.6	0.6	0.6
Construction	8.1	8.3	8.4	8.6	8.8	9.1
Services, of which:	75.7	75.5	75.5	75.9	76.4	76.5
Health and social work	18.6	18.8	18.8	19.0	19.3	19.4
Wholesale and retail trade, repair of motor vehicles	12.6	12.5	12.3	12.4	12.3	12.2
Education	7.6	7.6	7.6	7.7	7.8	7.9
Public administration and defence	7.5	7.4	7.4	7.6	7.7	7.7
Professional, scientific and technical activities	4.9	4.9	4.9	5.0	4.8	4.9
Administrative and support service activities	4.9	4.8	4.8	4.7	4.6	4.8
Transport activities excl. ocean transport	4.7	4.7	4.7	4.7	4.7	4.6
Information and communication	3.6	3.6	3.6	3.7	3.6	3.6
Arts, entertainment and other service activities	3.5	3.4	3.4	3.4	3.5	3.6
Accommodation and food service activities	2.8	2.8	2.9	3.0	3.0	3.1
Financial and insurance activities	2.0	2.0	1.9	1.9	1.9	1.8
Ocean transport	1.5	1.4	1.4	1.5	1.4	1.4

a Figures from 2016 onwards are preliminary.

b Simple average of 12-month period, based on seasonally adjusted figures (age 15-74).

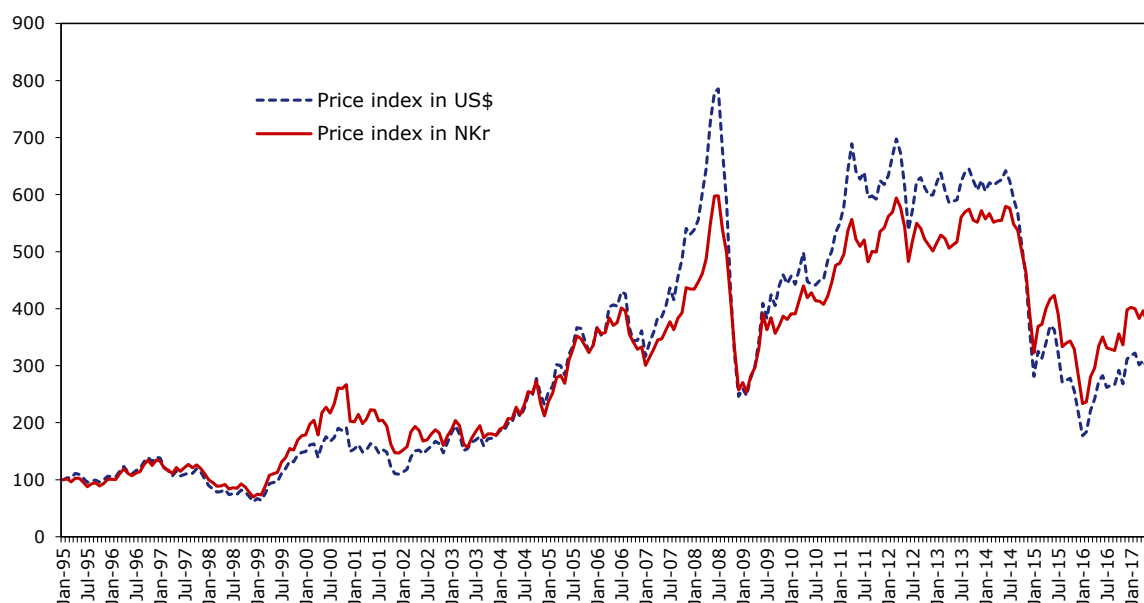
Source: WTO Secretariat, based on information from Statistics Norway. Viewed at: <http://www.ssb.no/en>.

1.2 Recent Economic Developments

1.4. The impact of the global financial crisis of 2008-2009 was brief in Norway. The monetary policy, which had been tightened during 2007 and 2008, was quickly relaxed. Norges Bank (the Central Bank) cut its Key Policy Rate from 5.75% to 1.25% over a period of nine months, and the resulting decline in market interest rates provided a major stimulus to the economy. In addition, the steady accumulation of petroleum revenues for more than ten years in the Government Pension Fund – Global (GPF) afforded the Government substantial leeway to expand public expenditures to boost growth and employment. The reigning-in of the fiscal stimulus began in 2011.

1.5. Mainland GDP grew by 3.7% in 2012, which was well above the historical trend. Norway's GDP expanded much more slowly in 2013, mainly because of lower production of oil and gas. The rebound in petroleum prices after the steep, but brief, decline during 2008-2009 nevertheless underpinned investments in the petroleum sector, which jumped by 19% in 2013. A depreciation of the Norwegian krone began in 2013, reflecting a shift in perceptions about future interest-rate differentials between Norway and other countries. The depreciation accelerated in the second half of 2014, as oil prices weakened from an average of US\$110 per barrel over the period January 2011-July 2014 to a (temporary) low of US\$45 per barrel in January 2015 (Chart 1.1).

Chart 1.1 Commodity Price Index for crude oil, 1995-2017 (1995 Jan=100)



Source: IMF Primary Commodity Prices. Viewed at: <http://www.imf.org/external/np/res/commmod/index.aspx>.

1.6. Public finances in Norway are shielded, at least in the short term, from falling petroleum prices through the construction of the GPF as described in Box 1.1. The new Government, in office since October 2013, was therefore able to pursue a policy of simultaneous tax cuts and higher expenditures, including on infrastructure (Table 1.2). In a global environment of low inflation, Norges Bank, which was guided by a long-term inflation target of 2.5% per annum, also found room to loosen its monetary policy.² A reduction of 0.25% in the key policy rate, which had remained unchanged at 1.5% since early 2012, took place in December 2014. Successive cuts in the key policy rate during 2015 and early 2016 brought it down to a record low of 0.5% in March 2016. The rate has stayed at this level since then (Chart 1.2). Market interest rates have generally followed the downward movement in the key policy rate, and filtered through to households in the form of record-low mortgage rates.

² The inflation target was revised (to 2% per annum) in March 2018.

Box 1.1 The Government Pension Fund – Global (GPGF)

The Fund was established by law in 1990 with the adoption of the Act relating to the Government Petroleum Fund. However, the state of public finances at that time did not allow any transfer into the Fund (until 1996). Subsequently, the annual net cash flow accruing to the state from petroleum activities has been channelled into the Fund in full. Through its investments, the GPGF transforms this petroleum revenue into foreign financial assets. Separately, and in accordance with Fiscal Policy Guidelines introduced in 2001, Parliament decides on the annual withdrawal from the Fund to cover the non-oil budget deficit of the state budget.

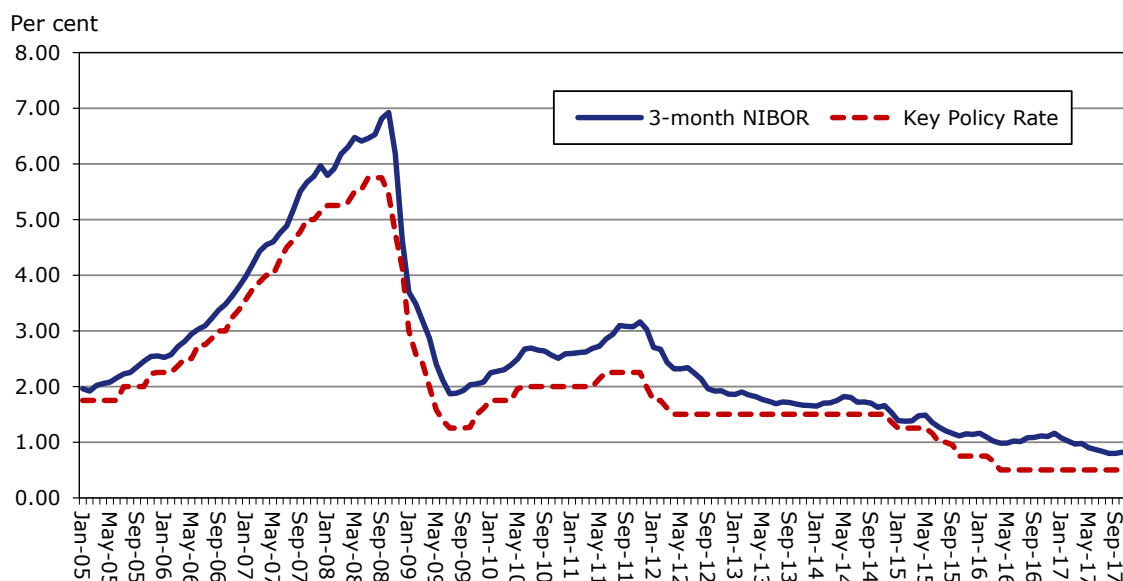
The Fund is the Norwegian people's savings. Parliament has given the overall responsibility for the management of the Fund to the Ministry of Finance. The operational management is delegated to Norges Bank. The overarching objective for the investments of the GPGF is to achieve the maximum possible returns, given a moderate level of risk. Within this scope, the Fund shall also be a responsible investor. Benchmark indices have been established to evaluate the Fund's performance. The Fund is not to be used as a tool to further foreign policy or climate policy objectives, although climate issues are relevant for the management of the Fund. The Ministry of Finance has also adopted ethically motivated guidelines, and a Council of Ethics monitors investments and gives advice to Norges Bank on observation and exclusion of companies from the Fund.

The Fund's investment strategy has been developed over time based on comprehensive assessments. Initially, the Fund was invested exclusively in fixed-income securities. The investment mandate was later extended to equities (1998) and real estate (2010). At the end of 2016, assets were distributed between equities (62.5%), fixed-income securities (34.3%), and real estate (3.2%). Noting a gradual strengthening of the risk-absorptive capacity of the GPGF over time, in June 2017 Parliament supported a proposal from the Government to increase the equity allocation to 70%. Whether the Fund should be permitted to invest in unlisted equities on a general basis is under consideration.

The Fund is by far the largest portfolio managed in Norway and among the world's largest sovereign wealth funds. At the end of 2016, equity and fixed income investments were spread across 77 countries, in about 9,000 individual companies and some 1,250 issuers worldwide. The market value totalled Nkr 8,488 billion at the end of 2017, an increase of Nkr 978 billion in one year. Measured in Norwegian kroner, the Fund's value has increased steeply in recent years. However, with the entire capital of the Fund invested abroad and fresh funds derived from commodities (oil and gas) denominated in foreign currencies, the international purchasing power of the Fund is de-linked from the krone exchange rate.

The Fiscal Policy Guidelines stipulate that, in the long run, the structural non-oil central government budget deficit should correspond to the expected real rate of return of the Fund, defined as 4% p.a. in 2001. Persistent low international interest rates prompted a downward revision of the expected long-term return of the GPGF to 3% in 2017.

Source: WTO (2012); Norges Bank Investment Management (NBIM); and Meld. St. 26 (2016-2017) Report to the Storting (white paper), *The Management of the Government Pension Fund in 2016*.

Chart 1.2 Key Policy Rate vs 3-month NIBOR, 2005-17

Note: Monthly average of daily observations.

Source: Norges Bank. Viewed at <http://www.norges-bank.no/en/>; and OSLO Stock Exchange. Viewed at: <https://www.oslobors.no/>.

1.7. The monetary and fiscal stimulus propped up private and public consumption, and allowed real mainland GDP to expand by 2.2% in 2014 and another 1.4% in 2015 (Table 1.1). However, the growth was geographically uneven. The contraction in the petroleum industry and its repercussions on the supply chain affected local communities, particularly in the South West and West of Norway. The rise in unemployment in these regions was sharper than the national average; it rose from 3.5% in 2013-2014, to 4.4% in 2015, and 4.7% in 2016 (Table 1.1).³ In addition, the shakedown in petroleum-related activities hit local incomes, as many of those forced to leave high-paid jobs found new employment, but at reduced remuneration. The uneven economic performance was particularly manifest in the housing market, where house prices remained stagnant in the South West of Norway while rising briskly elsewhere, particularly in the capital Oslo during 2016. Signs of a general economic recovery have become consistently stronger in the course of 2017 (Table 1.2).

Table 1.2 Selected macroeconomic indicators, 2012-17

	2012	2013	2014	2015	2016	2017
National account (%age change)^a						
Gross domestic product, market values	2.7	1.0	2.0	2.0	1.1	1.8
Final consumption expenditure of households and NPISHs ^b	3.5	2.8	2.1	2.6	1.5	2.3
Household final consumption expenditure	3.5	2.7	1.8	2.3	1.5	2.4
Final consumption expenditure of NPISHs	2.2	4.6	6.9	9.0	1.9	1.1
Final consumption expenditure of general government	1.6	1.0	2.7	2.4	2.1	2.0
Final consumption expenditure of central government	1.7	1.0	3.4	3.1	2.3	1.2
Final consumption expenditure of local government	1.4	1.0	1.9	1.6	2.0	2.7
Gross capital formation	4.7	6.7	0.2	-3.4	5.0	2.6
Gross fixed capital formation (GFCF)	7.6	6.3	-0.3	-4.0	-0.2	3.5
Exports of goods and services	1.6	-1.7	3.1	4.7	-1.8	0.8
Imports of goods and services	3.0	5.0	2.4	1.6	2.3	2.2
Central government debt, Nkr billion (end-period)	617.2	604.0	485.5	482.8	515.6	..
% of GDP	20.8	19.6	15.4	15.5	16.5	..
General government (% of GDP)						
Revenue	56.1	54.1	53.8	54.1	54.0	..
Expenditure	42.3	43.3	45.1	48.0	50.0	..
Net lending/borrowing	13.8	10.8	8.7	6.1	4.0	..
Prices and exchange rate						
Inflation (CPI, %age change)	0.8	2.1	2.0	2.1	3.6	1.8
Nkr/€ (annual average)	7.5	7.8	8.4	9.0	9.3	9.3
Nkr/US\$ (annual average)	5.8	5.9	6.3	8.1	8.4	8.3

.. Not available.

a Figures from 2016 onwards are preliminary.

b NPISHs refers to non-profit institutions serving households.

Source: WTO Secretariat, based on information from Statistics Norway. Viewed at: <http://www.ssb.no/en>.

1.8. Wage formation, which is partly determined through centralized bargaining, has felt the impact of the softer job market. Wage growth, at 1.7% in 2016, was at the lowest level since World War II. A spike in consumer price inflation (up 3.6%) due to the weak krone meant that real wages actually fell in 2016. However, without a further weakening of the krone, price pressure has been receding. Overall, the combination of wage restraint and currency depreciation has given a solid boost to the international competitiveness of the mainland economy. The trend towards a stronger krone, particularly between August 2016 and February 2017, was reversed in late 2017.

1.9. The fiscal rule applied to the central government budget for many years stipulates that the structural non-oil deficit should, over time, correspond to the real rate of return of the GPF. Going forward, the expected real return of the fund is likely to be more or less stable, measured as a share of mainland GDP. As the revised expected return (Box 1.1) and the deficit were roughly

³ The rise in unemployment has been mitigated by the departure of migrant labour, particularly from other EEA countries such as Sweden and Poland.

equal in 2017, a broadly neutral fiscal stance should therefore be expected in the coming years. However, Norway's economic performance during 2017 suggests that the cyclical downturn that began in the autumn in 2014 has been coming to an end, and that no additional stimulus should be necessary. The Norwegian economy appears to be resilient to oil prices remaining in the US\$50-60 range per barrel.

1.3 Developments in Trade and Investment

1.3.1 Trends and patterns in merchandise and services trade

1.10. Norway's merchandise trade surplus doubled between 2000 and 2008 as Norway benefited from markedly improved terms of trade. The crisis in 2008-2009 affected both imports and exports negatively, but whereas Norway's imports quickly returned to pre-crisis levels, exports lagged behind. The high petroleum prices that prevailed until mid-2014 brought sizable trade surpluses (Table 1.3), but exports of traditional (non-oil) goods were stagnant or declining. The weak trend in non-oil exports reflected a significant decline in the competitiveness of industries in mainland Norway.

Table 1.3 Balance of payments, 2012-16

(US\$ million)

	2012	2013	2014	2015	2016
Current account balance	63,687	53,693	52,512	30,528	14,090
Balance of goods and services	66,456	56,439	44,937	21,726	3,205
Balance of goods	68,985	60,905	49,707	24,442	11,739
Balance of services	-2,529	-4,466	-4,771	-2,716	-8,535
Exports, total	206,898	204,829	193,651	145,664	126,692
Goods (f.o.b.)	159,595	155,211	143,531	102,913	88,874
Crude oil and natural gas	104,930	98,908	87,492	55,142	44,456
Ships	1,355	1,414	1,452	863	1,895
Petroleum activities, various goods	61	80	72	451	35
Other goods	53,250	54,808	54,514	46,457	42,488
Services	47,303	49,618	50,120	42,751	37,818
Imports, total	140,442	148,391	148,714	123,939	123,488
Goods (c.i.f.)	90,610	94,306	93,823	78,472	77,135
Goods (f.o.b.)	87,703	91,624	91,073	76,176	74,891
Services	49,832	54,084	54,891	45,467	46,353
Balance of income and current transfers	-2,769	-2,746	7,575	8,802	10,886
Compensation of employees and investment income (primary income), net	4,191	5,569	15,763	16,014	17,846
Current transfers (secondary income), net	-6,959	-8,315	-8,188	-7,211	-6,960
Capital account	224	239	197	114	113
Financial account	47,153	50,092	54,926	6,813	38,672
Direct investment	-599	9,460	20,549	15,165	24,869
Portfolio investment	51,089	59,496	19,912	32,975	6,364
Other investments	-4,104	-21,277	8,439	-35,383	3,912
Reserve assets (IMF breakdown)	767	2,413	6,025	-5,944	3,527
Net errors and omissions	-16,551	-3,730	2,231	-23,893	24,430
Memorandum item (%)					
Current account/GDP	12.5	10.3	10.5	7.9	3.8
Balance of goods/GDP	13.5	11.6	10.0	6.3	3.2

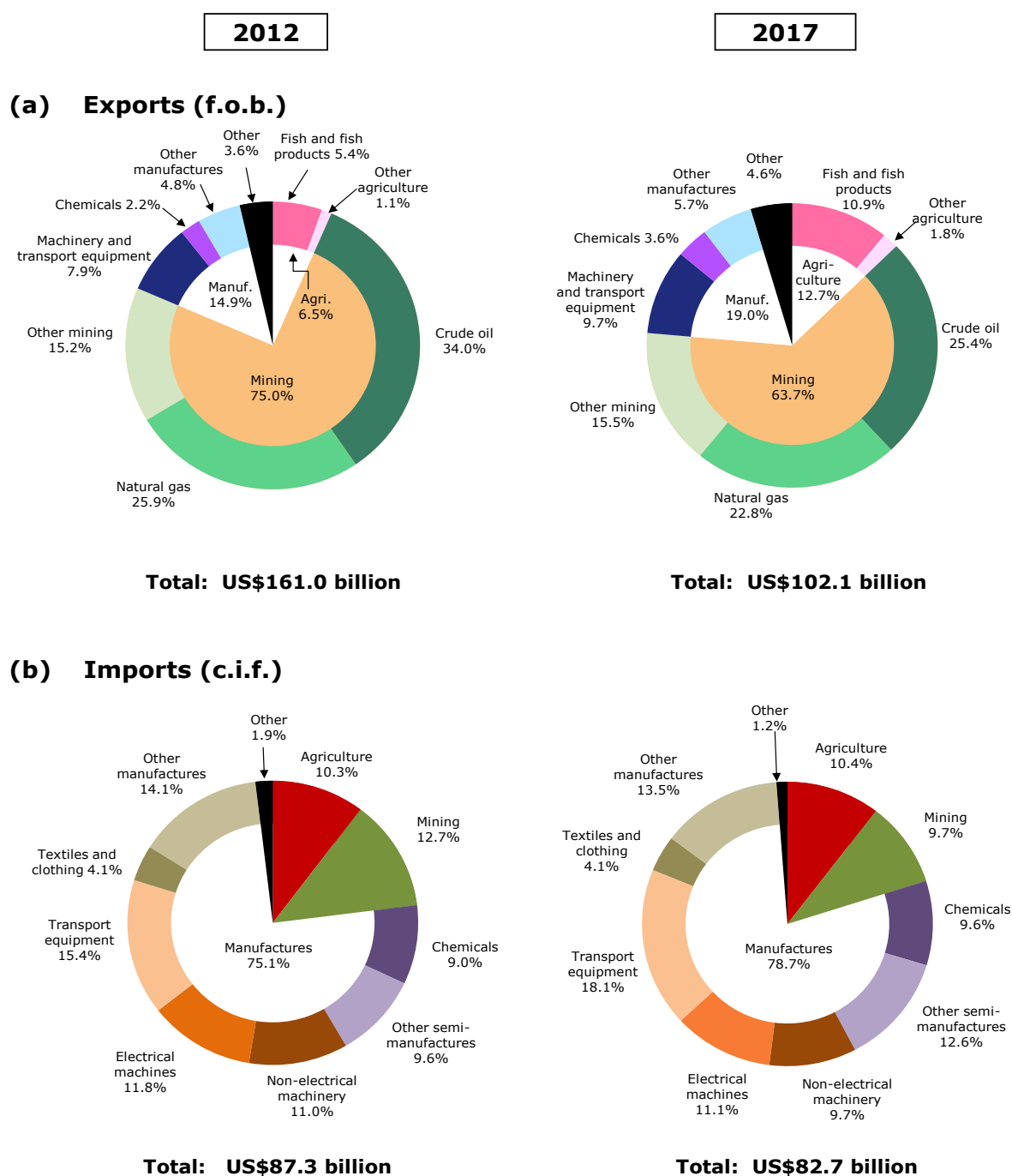
Note: Central Bank used exchange rate (Nkr/US\$).

Source: WTO Secretariat, based on information from Statistics Norway. Viewed at: <http://www.ssb.no/en>.

1.11. The 50% reduction in the price of oil since 2013-2014 has had a profound impact on Norway's merchandise trade balance. Although the level of output of the offshore petroleum sector has been little affected by the price decline, the fall in Norway's export revenue from lower prices was almost immediate. Crude oil and natural gas, which accounted for 60% of Norway's merchandise exports in 2012, reached an export share of 48% in 2017 (Chart 1.3). In addition, the changed prospects for the oil and gas industry have led to a marked decline in the global demand for petroleum-related goods and services, including oil rigs, production ships, specialized engineering goods, transportation to and from offshore fields, and mapping and surveying services. For Norway, this effect has meant both lower exports and lower imports.

1.12. On the other hand, the significant depreciation of the Norwegian krone since 2013 has improved the competitiveness of Norwegian businesses. Although the pattern of merchandise imports seems to indicate minor changes between 2012 and 2016 (Table A1.2), imports became more expensive and fell by 17% overall (measured in US dollars as in Chart 1.3). Some export-oriented sectors, in particular fish and fish farming, have experienced a boom (Table A1.1), whereas in other sectors, such as the production of metals and fertilizer, capacity constraints and price fluctuations have limited the otherwise positive impact of a cheaper Norwegian krone.

Chart 1.3 Composition of merchandise trade, 2012 and 2017

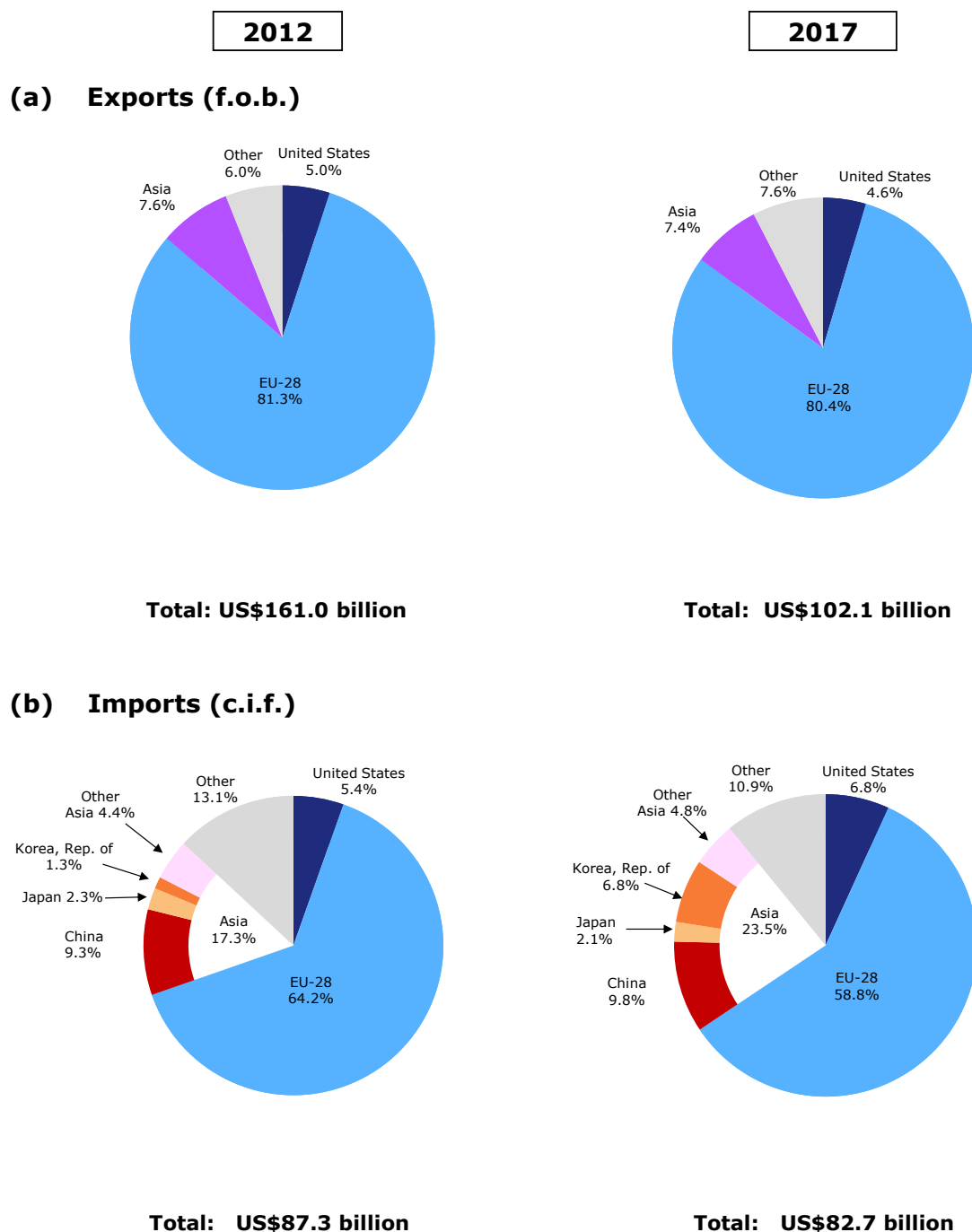


Note: Preliminary figures for 2017.

Source: UNSD, Comtrade database (SITC Rev.3); and Statistics Norway. Viewed at: <http://www.ssb.no/en>.

1.13. The trend towards an increasing share of trade with countries in Asia continued between 2012 and 2017 (Chart 1.4). The European Union nevertheless remains Norway's dominant trading partner, accounting for nearly 80% of its exports and 60% of its imports. The pre-eminence of Germany, the United Kingdom, and the Netherlands on the export side (Table A1.3) is partly a reflection of these countries being the immediate, though not necessarily final, destination of oil and gas from the Norwegian continental shelf. Joined by Sweden and Denmark, these five countries form Norway's traditional trading partners, as evidenced in the import statistics (Table A1.4).

Chart 1.4 Direction of merchandise trade, 2012 and 2017



Note: Preliminary figures for 2017.

Source: UNSD, Comtrade database; and Statistics Norway. Viewed at: <http://www.ssb.no/en>.

1.14. Although Norway's merchandise trade surplus declined by more than 80% between 2012 and 2016, somewhat higher volumes of oil and gas exports nevertheless ensure that Norway's exports of goods continue to exceed imports. Norway's trade in services, which normally runs a deficit, has been less volatile, but the trend towards lower exports (and imports) has also emerged.⁴ Whereas Norway's internationally oriented merchant fleet and cruise lines have never ceased to be substantial earners of foreign exchange, many ship-owners have also expanded in the (normally) lucrative offshore market for transportation services and flotels. The maritime and offshore sectors are estimated to have accounted for nearly 65% of Norway's services exports in 2014.⁵ Since then, offshore service providers have experienced reduced activity and substantially lower rates for the hiring of rigs and vessels. The full impact was felt in 2016, resulting in a significant decline in offshore exports, and thus also in services exports overall (Tables 1.3 and 1.4). Other major services exports, e.g. in banking, telecommunications and air transport, have been much less affected by the difficulties related to the petroleum industry. Moreover, Norway's deficit in tourism travel has narrowed considerably as the weaker krone has made Norway a more attractive destination for foreign arrivals, and encouraged more Norwegians to spend their holidays at home. The currency effect has been much smaller on Norway's border trade. Statistics Norway estimates that Norwegian residents undertook approximately 7.7 million day-trips in 2016, spending almost Nkr 14 billion on cheaper goods and services in neighbouring countries.⁶

Table 1.4 Trade in services for non-financial enterprises by industry, 2012-16^a

(US\$ million and %)

	2012	2013	2014	2015	2016
Services exports	32,407	33,704	34,685	30,975	26,306
	(% of total exports)				
Mining and quarrying	10.6	7.6	8.6	8.7	8.8
Manufacturing	11.4	10.4	9.9	9.5	10.5
Construction	0.2	0.8	0.1	0.1	0.4
Wholesale and retail trade	2.5	4.2	2.4	2.3	2.3
Transportation and storage	42.6	44.8	48.4	50.6	45.9
Information and communication	9.1	8.9	7.4	8.7	11.5
Professional, scientific and technical activities	17.3	16.0	15.3	14.0	14.9
Administrative and support service activities	4.9	5.8	6.5	4.7	4.5
Other industries	1.4	1.5	1.4	1.4	1.3
Services imports	32,063	33,329	33,707	30,639	29,222
	(% of total imports)				
Mining and quarrying	28.1	27.5	26.5	26.2	27.7
Manufacturing	9.7	9.4	8.8	7.3	7.9
Construction	1.2	1.4	1.1	1.1	1.0
Wholesale and retail trade	6.7	7.6	8.2	7.8	7.6
Transportation and storage	26.0	25.6	26.7	30.3	27.0
Information and communication	9.7	8.9	9.3	10.3	11.9
Professional, scientific and technical activities	9.4	8.9	9.1	8.6	8.4
Administrative and support service activities	7.3	8.2	8.1	6.7	6.3
Other industries	1.9	2.6	2.3	1.9	2.2

a Services for non-financial enterprises; total exports and imports differ from those in balance of payments.

Source: WTO Secretariat, based on information from Statistics Norway. Viewed at: <http://www.ssb.no/en>.

1.15. The EEA Agreement makes Norway part of the European Union's single market for services. As a consequence, the European Union accounts for 70% of Norway's services imports and nearly 65% of its exports (Table 1.5). Outside of Europe, Norway's main trading partners for services are the United States and certain countries in Asia, i.e. China, Japan, Korea, and Singapore.

⁴ Many of Norway's largest enterprises export both goods and services.

⁵ Menon Economics, *Omfang og betydning av handel med tjenester for Norge*, Menon-publikasjon Nr. 50/2016. Viewed at: <https://www.nho.no/siteassets/nhos-filer-og-bilder/filer-og-dokumenter/internasjonalt/omfang-og-betydning-av-handel-med-tjenester-for-norge.pdf>. Estimates are somewhat uncertain.

⁶ Significant price differentials create incentives to maximize the use of tax-free allowances, particularly for foodstuffs, alcoholic beverages, and tobacco. Three border towns in Sweden (Strömstad, Charlottenberg, and Töcksfors) account for around 75% of this trade. Source: Statistics Norway <http://www.ssb.no/varehandel-og-tjenesteyting/statistikker/grensehandel/kvartal/2017-03-07>.

Table 1.5 Trade in services by geographical breakdown, 2016

(%)

	EU	Other European countries	North America		Central- and South America	Asia, Oceania & Polar regions	Africa	Not allocated
			Total	United States only				
	(% of the world)							
Services exports	65.6	3.2	9.5	7.7	4.3	13.9	1.7	1.8
Sea transport	65.1	1.0	5.5	4.5	5.7	20.6	1.5	0.7
Other transport	87.1	2.2	2.8	2.6	0.2	3.0	0.1	4.5
Travel	82.0	5.6	6.1	5.5	0.7	5.4	0.2	0.0
Communication, computer and information services	72.9	4.0	8.1	7.0	1.2	13.0	0.7	0.1
Insurance and financial services	64.0	1.8	21.7	21.7	2.5	4.8	5.0	0.1
Other business services	52.0	4.7	14.3	10.2	6.6	16.3	2.6	3.5
Services imports	69.0	3.3	9.1	8.5	3.7	11.9	1.0	1.9
Sea transport	63.2	1.6	5.6	4.6	6.6	20.9	1.5	0.6
Other transport	75.5	3.1	7.4	6.9	2.5	9.2	1.5	0.7
Travel	75.8	4.6	9.2	9.1	1.1	7.8	1.4	0.1
Communication, computer and information services	75.3	1.8	9.5	9.1	0.1	12.9	0.2	0.1
Insurance and financial services	63.2	1.2	18.1	16.9	5.9	7.0	0.4	4.3
Other business services	62.1	3.1	9.9	9.0	6.1	13.6	0.6	4.5

Source: WTO Secretariat, based on information from Statistics Norway. Viewed at: <http://www.ssb.no/en>.

1.16. In spite of the recent decline in oil and gas prices, Norway still has a surplus on its current account. Nonetheless, the surplus has been significantly reduced, from the equivalent of 12.5% of GDP in 2012 to 4% in 2016 (Table 1.3).

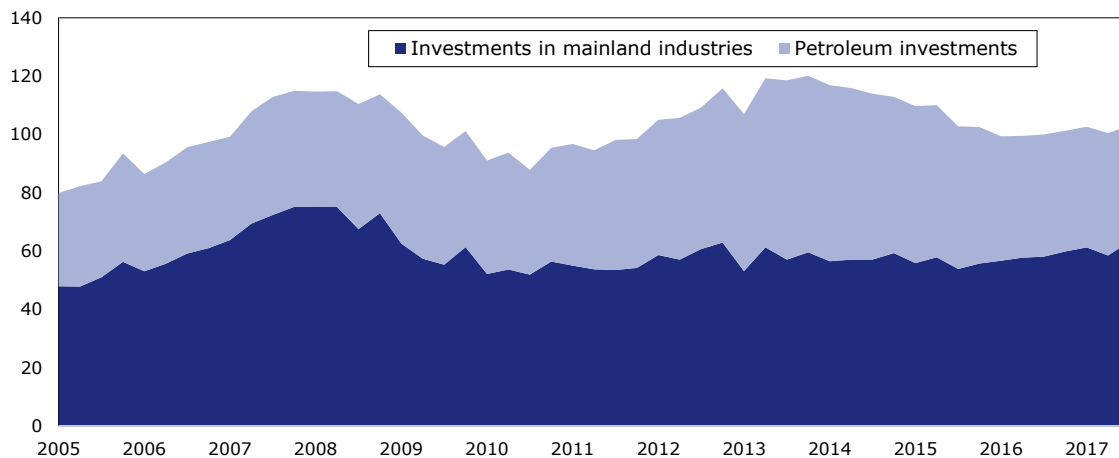
1.3.2 Trends and patterns in FDI

1.17. Domestic and foreign investment in mainland Norway has remained steady in recent years, averaging about Nkr 55 billion annually since 2010. The level is nevertheless some Nkr 20 billion below the peak reached in 2008 (Chart 1.5). The decline and subsequent levelling-off of investment has been most pronounced in manufacturing, but private sector investment in services has followed a similar trend. Investment in offshore installations, including pipelines, should in principle be easier to predict as such projects require detailed development plans that are subject to approval by Parliament. Offshore investment rose sharply between 2011 and 2013, as planned, and was expected to decline from then onwards. However, the reduction has been much sharper than expected, in part because the quest for higher investment efficiency has driven down costs since 2014.

1.18. According to UNCTAD data, the stock of FDI in Norway peaked in 2012 at US\$212.4 billion. The subsequent decline in the FDI stock (measured in US dollars) reflects the significant depreciation of the Norwegian krone, as net FDI inflows remained positive (Chart 1.6). However, while FDI returned to an upward trend between 2013 and 2015, it fell sharply in 2016 when Norway recorded a net outflow of FDI of US\$5.5 billion.

Chart 1.5 Investment in Norway

Nkr billion, seasonally adjusted at 2015-prices

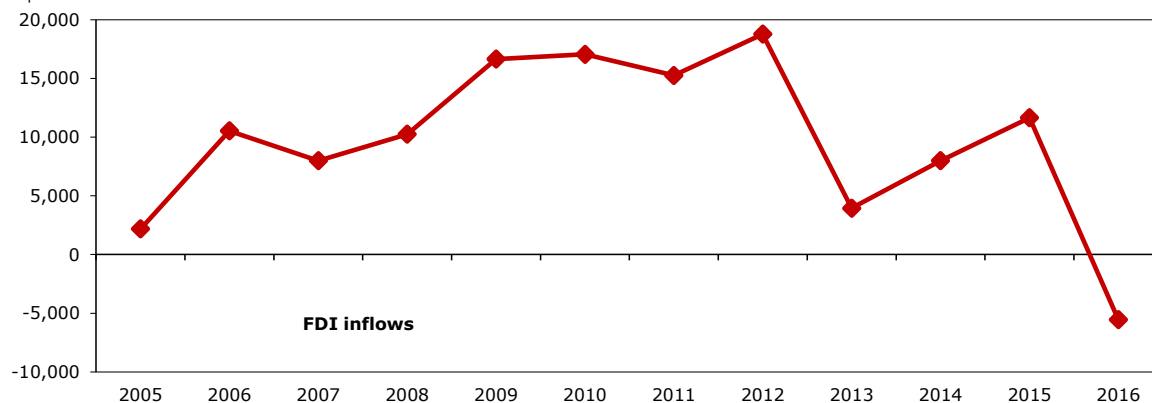


Note: Figures are calculated on a quarterly basis.

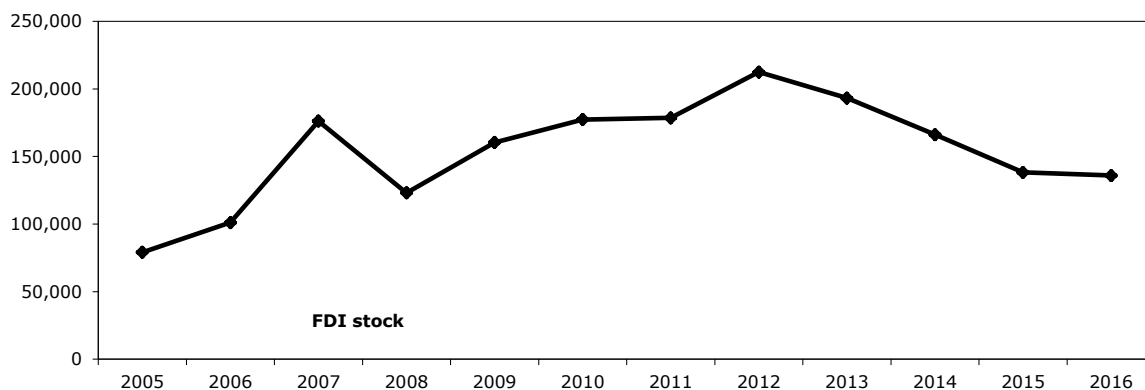
Source: Statistics Norway, Economic Outlook for the year 2016, 1/2017.

Chart 1.6 Net foreign direct investment in Norway, 2005-16

US\$ million



(US\$ million)



Source: UNCTAD Stat.

1.19. Foreign controlled enterprises in Norway, i.e. enterprises where more than 50% of the capital is controlled from abroad, generated Nkr 1,326 billion in turnover in 2015. At the end of 2015, these 7,249 enterprises employed just under 337,000 persons, representing 21% of private sector employment in Norway. US-controlled businesses, which are concentrated in oil and gas extraction, account for the highest share of the turnover (21%), and a somewhat lower share of

employees (16.6%). Swedish-owned enterprises (30% of the foreign businesses) operate more widely in the Norwegian economy. Other important sources of FDI, according to these benchmarks, are Denmark, the United Kingdom, and Germany.⁷

1.20. According to Statistics Norway, there were 4,513 Norwegian subsidiaries abroad in 2015.⁸ These subsidiaries had a combined turnover of Nkr 1,280 billion in 2015 and employed approximately 280,000 persons. Norwegian subsidiaries are concentrated in the European Union (nearly 60% measured by turnover and employment), and in particular Sweden and Denmark among the Nordic countries. However, the global presence of Norwegian subsidiaries is also growing outside Europe, notably in countries such as the United States and Brazil. The Norwegian subsidiaries are primarily engaged in manufacturing, telecommunications, wholesale and retail trade, and mining and quarrying (Table 1.6).

Table 1.6 Foreign direct investment stock by industry, 2013-16

	2013	2014	2015	2016
Norwegian foreign direct investment				
US\$ million	189,175	204,022	199,779	197,800
Nkr million	1,111,743	1,285,728	1,612,999	1,661,259
	(% of total)			
Agriculture, forestry and fishing	0.7	0.9	1.1	1.1
Mining and quarrying	31.3	28.0	24.2	25.1
Manufacture	18.4	17.0	15.2	13.8
Electricity, gas and steam	4.7	4.4	3.0	3.2
Water supply, sewerage, waste	0.0	0.0	0.0	0
Construction	0.5	0.5	0.5	0.6
Wholesale and retail trade: repair of motor vehicles and motorcycles	2.2	2.6	2.4	2.3
Transportation and storage	5.4	5.4	5.3	4.9
Accommodation and food service activities	0.1	0.1	0.1	0.2
Information and communication	5.8	7.9	7.6	7.2
Financial and insurance activities	8.5	9.1	10.6	9.6
Real estate activities	4.6	4.5	4.4	4.4
Professional, scientific and technical activities	3.2	3.9	1.9	3.0
Administrative and support service activities	1.5	1.0	2.3	2.1
Second homes	11.8	11.6	10.7	11.0
Other industries	1.0	3.1	10.6	11.4
Foreign direct investment in Norway				
US\$ million	199,925	195,894	163,462	154,058
Nkr million	1,174,918	1,234,502	1,319,773	1,293,884
	(% of total)			
Agriculture, forestry and fishing	0.5	0.4	0.4	0.1
Mining and quarrying	31.0	33.5	29.4	28.1
Manufacture	17.0	17.4	14.2	14.4
Electricity, gas and steam	0.5	0.6	0.5	0.7
Water supply, sewerage, waste	0.6	0.3	0.1	0.1
Construction	1.0	1.1	1.1	1.2
Wholesale and retail trade: repair of motor vehicles and motorcycles	8.8	8.5	7.6	8.2
Transportation and storage	6.9	6.5	5.9	6.0
Accommodation and food service activities	0.2	0.2	0.3	0.4
Information and communication	5.5	5.8	5.6	6.0
Financial and insurance activities	10.0	10.0	11.5	12.6
Real estate activities	3.9	4.1	5.3	6.1
Professional, scientific and technical activities	4.3	3.7	2.9	3.7
Administrative and support service activities	3.0	2.3	3.2	3.4
Second homes	5.4	4.9	4.8	5.3
Other industries	1.3	0.6	7.0	3.8

Source: WTO Secretariat, based on information from Statistics Norway. Viewed at: <http://www.ssb.no/en>.

⁷ Statistics Norway online information. Viewed at: <https://www.ssb.no/en/virksomheter-foretak-og-regnskap/statistikker/utfono/aar>.

⁸ Statistics Norway online information. Viewed at: <https://www.ssb.no/en/utenriksokonomi/statistikker/ufats/aar>.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. Norway is a constitutional monarchy with a parliamentary democratic system of governance, with the King as head of state. The Constitution dates from 1814 and sets out the separation of powers of: the legislature, the Storting; the executive, granted to the King but exercised by the council of ministers; and the judiciary, consisting of the courts, the Supreme Court, and the Court of Impeachment. The Constitution also contains provisions on sovereignty, rule of law, human rights and freedoms, as well as general provisions on matters such as allodial rights and amendments. Article 115 of the Constitution contains special provisions whereby the Storting may transfer certain powers, by a three-quarters majority vote, to international organizations. This provision has been used in connection with Norway's adherence to the European Economic Area (EEA) Agreement.¹

2.2. Norway has one of the longest continuously applied constitutions in the world. The constitution had historically undergone few amendments over the last 100 years until recent amendments during the review period. In 2012, the Constitution was amended to separate church and state, making Norway a secular country without an official religion. A set of amendments, the most substantial in its history, was enacted in 2014 to update the language of the Constitution and to incorporate provisions on human rights.² The amendments on human rights provisions in Chapter E include provisions such as freedom of association, freedom of expression, and right to privacy. The most recent amendment, in May 2016, was to change the constitutional status of the Central Bank of Norway (Norges Bank).

2.3. The Storting introduces legislation, imposes taxes, authorizes public spending, and debates domestic and foreign policy issues. The work of the 169 elected members is conducted through the 12 standing committees organized by subject area, e.g. finance and economic affairs, foreign affairs and defence, etc. Legislation is typically initiated by the Government. It is then sent to the Storting and typically dealt with in one of the standing committees upon which a recommendation is made and the matter is addressed in a bill or resolution that may ultimately be enacted after signature by the King and the Prime Minister. The Storting typically addresses between 100 and 150 bills each year.

2.4. The Supreme Court is at the top of the Norwegian court hierarchy, under which there are six courts of appeal, and then the courts of first instance, i.e. district courts. In addition, there are special courts pertaining to labour disputes, i.e. the Industrial Disputes Tribunal, and for land usage and ownership matters, i.e. the Land Consolidation Courts. There are also Conciliation Boards in which most civil cases are mediated. Most commercial disputes are handled through arbitration. Disputes involving trade, contracts, or intellectual property infringement are typically handled by the ordinary courts. For cases concerning patents, registered trademarks and designs, both validity and infringement actions are dealt with by Oslo District Court as the exclusive venue in the first instance.³

2.5. The Constitution grants executive power to the King but this is, in practice, exercised by the Council of Ministers (cabinet of ministers). Article 28 of the Constitution stipulates that matters of importance are to be dealt with by the Council of Ministers. The decisions taken by the Council of Ministers (formally by the King in Council) take the form of royal decrees. There are currently 16 ministries, including the Office of the Prime Minister.⁴ The Ministry of Foreign Affairs and the Ministry of Trade, Industry and Fisheries have central roles in the trade policy of Norway, but other ministries are also involved in trade, such as the Ministry of Agriculture and Food for agricultural trade matters, and the Ministry of Finance for customs matters. Other ministries also have responsibilities in other specialized areas of trade, investment, services, etc.

¹ Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/aktuelt/important-eu-eea-matters/id2340957/>.

² A full language revision of the Constitution was undertaken; thus it now exists in the two currently used forms of the Norwegian language, Bokmål and Nynorsk, having been updated from an outdated form of Norwegian.

³ The same has been proposed for copyright infringement actions; as of February 2018, a bill was pending before the Storting (Prop 104 L (2016-2017)).

⁴ Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/dep/id933/>.

2.6. Norway has formal procedures for consultations when a Ministry wishes to consult an affected party on a proposed bill or act.⁵ In accordance with Regulation No. 184 of 19 February 2016, Ministries and other state bodies must submit a proposal for a bill to a public hearing when adopting new legislative acts, with a deadline for comments of no less than six weeks (normally three months). The proposal is submitted to relevant stakeholders and published online on the Government's web portal. All proposals for legislative acts, as well as other measures of substantial impact, must generally be submitted for a public hearing before their adoption. A hearing will, however, not be required in cases of minor amendments. This is a strict criterion and requires a written decision from the relevant minister in each individual case. It follows also from the Public Administration Act that public hearings are generally required before new regulations are enacted.

2.7. The Kingdom of Norway is comprised of mainland Norway⁶, the archipelago of Svalbard and the island of Jan Mayen. Norwegian territories also include Dronning Maud Land and Peter I Øy in the Antarctic and Bouvetøya. Pursuant to the Customs Act, the "customs territory" is "the Norwegian mainland and appurtenant territorial waters, but not Svalbard, Jan Mayen or Norwegian dependencies". Therefore, only goods imported to mainland Norway are subject to customs clearance in accordance with the Customs Act. Goods originating in Svalbard are exempt from customs duty according to the provisions of the customs tariff. Goods imported to Svalbard are not subject to customs duty, but there are restrictions on the import of certain goods.

2.8. The mainland is currently comprised of 19 counties, which are further divided into 428 municipalities. Each county (except Oslo) is governed by a county municipality, and the national Government is also represented in each county by a county governor. The counties are responsible for construction and maintenance of county roads, public transport, secondary school education, public health, cultural heritage, land use planning, and regional development; while the municipalities have oversight of primary school education, senior citizen services, out-patient health services, zoning, economic development, and municipal roads. There have been a number of recent legislative changes impacting the counties. In June 2016, the Storting agreed to the merger of two counties (Sør-Trøndelag and Nord-Trøndelag); thus, as of 1 January 2018, there were 18 counties. Also, in June 2017, the Storting passed reform legislation that plans to transform the 18 counties into approximately 11 larger regional counties by 2020.⁷

2.2 Trade Policy Formulation and Objectives

2.9. Norway pursues its trade policy on three basic levels — through the WTO's multilateral rules, the EEA and EFTA agreements, and bilateral free trade agreements. They each form an integral part of its trade policy framework and have not changed during the review period. Norway's trade policy has and continues to emphasize that Norway is a trading nation committed to promoting free trade and pursuing a trade policy that recognizes Norway's national interests. The overall objective is to "maintain and develop a trade framework that maximizes Norwegian value creation while at the same time contributing to global growth and sustainable development".⁸

2.10. The main elements of Norway's trade policy during the period were outlined in Norway's "Globalisation and trade" White Paper to the Storting, Meld. St. 29 (2014-2015).⁹ This Paper presented the current and possible future paths and priorities of Norway's trade policies at that time. It identified, in particular, five key areas where changes have taken place that necessitate policy change or direction. These key areas have not changed significantly since that time but there have nonetheless been developments in several areas, including, *inter alia*, as a result of WTO Ministerial conferences (Box 2.1). The White Paper also emphasized the importance of

⁵ Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/find-document/consultations/id1763/>.

⁶ Refers to the geographic mainland as opposed to the mainland economy (Section 1).

⁷ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/tema/kommuner-og-regioner/kommunereform/regionreform/id2477186/>.

⁸ "Globalisation and trade: Trade policy challenges and opportunities for Norway", Meld. St. 29 (2014-2015) Report to the Storting (White Paper) Summary. Regjeringen online information. Viewed at: <https://www.regjeringen.no/contentassets/5927c017d6734983aec2103765c80c6a/en-gb/pdfs/stm201420150029000engpdfs.pdf>.

⁹ Regjeringen online information. Viewed at: <https://www.regjeringen.no/contentassets/5927c017d6734983aec2103765c80c6a/en-gb/pdfs/stm201420150029000engpdfs.pdf>.

promoting green growth and taking climate change and environmental considerations into account in its trade policies and agreements. It notes that the international trade regime can advance a "green shift" by promoting trade in environmental goods and services, and that the Government will include a separate chapter on trade and sustainable development in FTAs.

2.11. In December 2017, Norway's Ministry of Trade, Industry and Fisheries issued a strategy paper for export and internationalization that highlights how Norway will strengthen its position as a trading nation through a number of goals such as securing market access, attracting foreign investment, and increasing exports.¹⁰ Norway's trade policies are highlighted in the Government's political platform, the most recent from January 2018, as well as annually in the budget proposal documents to the Storting. In these latest documents, Norway emphasized that it would work to achieve the best possible outcome at the WTO Ministerial Conference in Buenos Aires, would be an active proponent of free trade, and continue to work towards a fair, global trade regime under the WTO.¹¹

Box 2.1 Norway's five key areas of trade policy

Safeguarding and strengthening the multilateral trading system	<ul style="list-style-type: none"> - The Government's primary trade policy interest is safeguarding and strengthening the multilateral trading system. It will seek solutions that lower trade barriers in other developed countries and emerging economies. Norway will give priority to market access for industrial goods (particularly seafood) and services, strengthening of the rules for trade (anti-dumping and fishery subsidies), and a well-balanced solution for agriculture that also safeguards Norway's interests. - Further, Norway will seek to ensure that the least-developed countries (LDCs) are not required to make additional concessions and will uphold the development dimension of the negotiations. - The Government will seek to ensure that plurilateral agreements that are closely linked to the WTO are developed so that they can serve as an effective and constructive contribution to achieving multilateral solutions that involve as many countries as possible.
Priorities and considerations in connection with the opening of markets	<ul style="list-style-type: none"> - The Government will pursue a proactive trade policy that safeguards Norway's interests. This entails, for example, seeking to ensure greater market access for Norwegian companies and more predictability for exports of goods and services and investments, and promoting a stable economic and political framework for economic growth and development at the global level. - The Government will give greater priority to ensuring free trade in seafood on the EU market. - The Government will seek to initiate negotiations with important trade partners that Norway does not currently have agreements with, and examine the opportunities for entering into free trade agreements with regional groupings.
Agricultural trade policy	<ul style="list-style-type: none"> - In future trade negotiations, the Government will continue to place emphasis on the Norwegian agricultural sector's need for protection. Defensive interests in the agricultural sector will be weighed against Norway's general trade policy interests and its offensive interests in other areas. - The Government will promote freer trade in agricultural products with a view to furthering global welfare and food security, out of consideration for Norwegian consumers, and to achieve greater diversity in the Norwegian food market. The necessary emphasis will be placed on agricultural interests, but defensive agricultural interests will not in themselves be sufficient grounds for preventing Norway from entering into trade negotiations. - The Government will phase out all export subsidies, at the latest by the end of 2020. - The Government will support international initiatives to limit the use of export restrictions.

¹⁰ Regjeringen online information. Viewed at: https://www.regjeringen.no/contentassets/e0545f1862534e4593237af085a88d47/nfd_eksportstrategi_eng_uu.pdf.

¹¹ Regjeringen online information. Viewed at: https://www.regjeringen.no/no/dokumenter/prop.-1-s-ud-20172018/id2574542/sec1?q=handelspolitikken#match_0 and <https://www.regjeringen.no/no/dokumenter/politisk-plattform/id2585544/>.

Trade in services	<ul style="list-style-type: none"> - The Government will give priority to revitalizing the WTO services negotiations, and will attach importance to these negotiations taking place in parallel with ongoing regional and multilateral negotiating processes on services. - When the circumstances allow for the resumption of TiSA negotiations, the Government will promote the conclusion of an ambitious TiSA that provides a stable and predictable framework for trade in services, while focusing on services sectors where the ability to compete on equal terms in global markets is particularly important for Norwegian companies. - The Government will seek to extend TiSA so that it includes key emerging economies and ensure that TiSA be designed in such a way that it may be multilateralized in the WTO in the future.
Economic diplomacy and transparency in trade policy	<ul style="list-style-type: none"> - The Government will intensify its efforts to make active use of trade policy in its strengthened economic diplomacy work. - The Government will seek to achieve as much transparency as possible and will encourage national debate on negotiation processes.

Source: Information provided by the authorities and "Globalisation and trade: Trade policy challenges and opportunities for Norway", Meld. St. 29 (2014-2015) Report to the Storting (White Paper) Summary. Regjeringen online information. Viewed at: <https://www.regjeringen.no/contentassets/5927c017d6734983aec2103765c80c6a/en-gb/pdfs/stm201420150029000engpdfs.pdf>.

2.12. Norway issued other white papers during the review period that address trade and environmental issues. A White Paper on "Nature for Life", Norway's national biodiversity action plan, recognizes the interlinkages between trade and environmental issues.¹² It states that the Government's objective is to "maintain and develop a trade framework that maximises Norwegian value creation while at the same time contributing to global growth and sustainable development". It further states that "trade commitments must be designed to take into account countries' needs to implement effective environmental and climate policies. At the same time, it is important that countries are not permitted to unilaterally implement discriminatory or protectionist measures that unnecessarily obstruct trade."¹³ It further addresses the specific issues of sustainable fisheries and trade in endangered species. For sustainable fisheries, it notes that Norway has been advocating for effective rules in the WTO to prohibit fisheries subsidies that contribute to overfishing, excess capacity and illegal, unreported and unregulated fishing. It furthermore indicates that new regulations were to be issued that go beyond the CITES convention to protect threatened species in Norway. Work on the new regulations is in progress and they are expected to be issued in the spring of 2018. The regulations go beyond CITES in the following areas: CITES import permits will be required in addition to export permits for the import of Appendix II-species and for the internal trade of Appendix I-species, and certain (frequently traded) Appendix II-species will require an internal CITES certificate and must also be tagged or otherwise marked.

2.13. Norway has also launched a government maritime strategy, "Blue Growth for a Green Future" and an ocean strategy, "New Growth, Proud History" as well as a White Paper "The Place of the Oceans in Norway's Foreign and Development Policy". The Maritime and Ocean Strategies outline industrial and trade policies for the maritime and ocean industries. The maritime strategy states that "the Government will work for a harmonized global regulatory framework, open markets, high requirements for maritime safety, environment, and social standards in international forums", underlining the importance of global rules for maintaining a level playing field and open markets in order to ensure free competition and increase global economic growth. The White Paper has a focus on the achievement of Sustainable Development Goal 14, "conserve and sustainably use the oceans, seas and marine resources". Ocean-based industries are a key priority for Norway in the WTO as well as in other trade agreements and negotiations. In parallel, an important part of the policy is providing assistance to developing countries in the development of their "blue economy".

¹² Regjeringen online information. Viewed at: <https://www.regjeringen.no/contentassets/902deab2906342dd823906d06ed05db2/en-gb/pdfs/stm201520160014000engpdfs.pdf>.

¹³ Regjeringen online information. Viewed at: <https://www.regjeringen.no/contentassets/902deab2906342dd823906d06ed05db2/en-gb/pdfs/stm201520160014000engpdfs.pdf>.

2.14. Norway has strong economic, political and historical ties with the United Kingdom, with the EEA Agreement as the basis for Norway's trade relations. Norway's goal is to continue as close and extensive cooperation as possible with the United Kingdom after its withdrawal from the European Union. Norway has expressed interest in joint or parallel solutions with the United Kingdom and the European Union in areas pertaining to the Single Market. As the United Kingdom withdraws from the European Union, Norway needs to establish a new legal framework for its relations with the United Kingdom. As part of this work, an initial assessment has been undertaken that identifies key priorities in many areas, including trade policy, and a Brexit task force with participation from all central government departments has been established.¹⁴

2.15. The Ministry of Foreign Affairs is responsible for the government consultative committee that advises the Government on matters regarding trade policy, in particular the WTO. The committee meets two to three times per year, depending on the general trade policy agenda, such as domestic debates on trade, WTO Ministerials, and the like.¹⁵ Other government bodies involved in WTO trade policy matters, organizations, business communities, labour organizations, and civil societies take part in the meetings of the committee. The committee was set up on 1 January 1979 to advise the Government on issues related to the General Agreement on Tariffs and Trade (GATT), and the mandate is to give advice on the work in the field of multilateral trade policy.

2.16. In addition to this, the Ministry of Trade, Industry and Fisheries organizes a trade policy dialogue twice a year with representatives of civil society and business associations. Meetings are held in advance of the EFTA Ministerial Meetings, and address issues of relevance to the EFTA third country agenda and to other bilateral free trade processes.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.17. Norway has always been a strong supporter of the WTO and the multilateral trading system, as it recognizes the unique advantages the WTO provides in its common rules-based approach and effective conflict management procedures. As outlined in the 2015 white paper to the Storting, the Government has emphasized the importance of strengthening the multilateral trading system while recognizing the significant challenges that it currently faces. As a small country with a medium-sized economy, Norway has indicated it has had good experiences at the WTO, as membership has opened its economy and trade. In order to promote its national interests, Norway participates in the work of regular bodies, and also cooperates and contributes to development and capacity building in the WTO. As part of its trade policy objectives, Norway has highlighted the importance of safeguarding and strengthening the WTO as a negotiating arena, the challenges in designing a negotiating agenda, the need for increased differentiation between countries at different stages of development, and the importance of binding decisions.¹⁶

2.18. Norway completed its internal procedures for accepting the Trade Facilitation Agreement and notified its acceptance in December 2015.¹⁷ Furthermore, it completed the WTO procedures and implemented the revised ITA product coverage in 2016 and the revised list of pharmaceutical products following the fourth review of product coverage.¹⁸ It is also a party to the plurilateral Government Procurement Agreement (GPA), and completed the procedures for adopting the revised GPA in April 2014.¹⁹ Following the WTO Hong Kong Ministerial outcome in 2005, Norway pledged to phase out all export subsidies and, after the decision from the Ministerial meeting in Nairobi, all export subsidies will be phased out by 2020 at the latest.

¹⁴ Regjeringen online information. Viewed at: https://www.regjeringen.no/no/tema/europapolitikk/brexit_spm/id2514464/.

¹⁵ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/aktuelt/wto-utvalget/id2553378/>.

¹⁶ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-29-20142015/id2413532/sec4#KAP6-2>.

¹⁷ WTO document WT/Let/1115.

¹⁸ WTO documents WT/Let/1181 and WT/Let/1268.

¹⁹ WTO online information. Viewed at: https://www.wto.org/english/tratop_e/gproc_e/memobs_e.htm.

2.19. During the review period, Norway has been closely involved in all areas of WTO negotiations and has sometimes played a leadership role. Norway has sponsored or co-sponsored a number of proposals on a range of issues. Norway has also supported other areas of WTO work such as providing preferential treatment to services and service suppliers of LDCs.²⁰

2.20. Norway was not involved in the WTO's dispute settlement system as a complainant or respondent during the review period;²¹ however, it did participate as a third party in 40 disputes.²² Norway has never been a respondent in any DS case and has been a complainant only four times, most recently in 2009.²³

2.21. Norway has an exemplary record in terms of meeting its notification obligations. It has made timely notifications in nearly all areas. However, updated or initial notifications are needed in a few areas, e.g. customs valuation, RTAs, quantitative restrictions, and rules of origin.

2.3.2 Regional and preferential agreements

2.22. Norway has placed the multilateral trading system at the centre of its trade policy for many years, but it also continues to pursue trade liberalization through regional or bilateral FTAs. Norway's FTA framework is mainly built on the EFTA agreements, although it has two long-standing bilateral agreements with Greenland and the Faroe Islands. Norway's policy has been to pursue FTAs through EFTA, although it has also entered into bilateral FTA negotiations with China. This process was put on hold in 2010 but reactivated in 2017.

2.23. Norway currently has 32 preferential agreements in place, covering trade with 71 countries or territories; however, it does not have agreements in place with many of the world's largest traders. As highlighted in its White Paper on Globalisation and Trade, Norway does not have trade agreements with six of the ten world's largest economies. Trade with the European Union and other EEA partners still dominates, but over the last 20 years the share of Norwegian trade with these countries has declined as Norway's direction of trade has shifted eastward.

2.3.2.1 European Economic Area (EEA)

2.24. The European Economic Area (EEA) Agreement entered into force in 1994 between the European Union member States and Norway, Iceland and Liechtenstein, creating a single market with free movement of goods, services, persons, and capital, as well as non-discrimination and equal rules of competition. There is cooperation in many other areas as well, such as competition, research, energy, education, environment, and tourism. But areas such as the EU common agriculture and fisheries policies, as well as the customs union, monetary union, and trade and foreign policies, remain outside the EEA remit. As such, the EEA Agreement is Norway's most important and comprehensive economic and trade agreement.

2.25. The EEA contains a number of institutional bodies that bring together the European Union and three EFTA members in order to make decisions or otherwise ensure the smooth functioning of the relationship.²⁴ It is a two-pillar system of cooperation, with the EEA Council as the top decision-making body. The EEA Joint Committee is the other main body for cooperation, as it is responsible for making decisions that incorporate new EU legal acts into the EEA Agreement. There is also the EEA Joint Parliamentary Committee and the EEA Consultative Committee, which are advisory bodies. Once a decision to incorporate an EU legal act into the Agreement is made by the Joint Committee by consensus, it is binding, and the Act in question will be, or will be made part of, the internal legal order of the EEA members. In Norway, this will in some cases require the formal approval of the Storting. As of November 2017, approximately 11,000 EU legal acts had

²⁰ WTO document S/C/N/806.

²¹ While there was no new request for consultations during the review period, the Report on EC–Seal Products (DS401) was circulated in 2013, and then Norway notified the DSB of its decision to appeal on 24 January 2014.

²² As of 28 February 2018, Norway was a third party to the following disputes for which consultations commenced during the review period: DS429, DS431, DS432, DS433, DS434, DS435, DS437, DS438, DS441, DS444, DS445, DS456, DS458, DS462, DS464, DS467, DS469, DS471, DS473, DS474, DS475, DS477, DS478, DS480, DS482, DS483, DS484, DS485, DS493, DS494, DS495, DS504, DS508, DS509, DS510, DS511, DS512, DS516, DS517, and DS526.

²³ DS254, DS328, DS337, and DS401.

²⁴ For more information see Section (3)(ii) of WTO document WT/TPR/S/269/Rev.1.

been incorporated into the EEA Agreement since it entered into force in 1994, with more than 9,700 incorporated by a decision of the Joint Committee.²⁵

2.26. During the review period, a number of developments have occurred with respect to the EEA agreement for Norway. In 2013, through an exchange of letters, Norway and Iceland amended the tariff quota for certain sheep meat; thus, Norway gave improved access to imports from Iceland.²⁶ In 2015, Norway and the European Union reached a new agreement, which subsequently entered into force, giving Norwegian seafood better access to the EU market.²⁷ The agreement comprises new duty-free quotas on certain processed fish products, a 50% increase in the quota for cured herring, and extension of the agreement from five to seven years.

2.27. In May 2016, Norway consented to the ratification of a new agreement between the EEA EFTA States and the European Union on the EEA Financial Mechanism 2014-2021.²⁸ This agreement provides for the EEA Grants, i.e. a mechanism for Norway (and the other two EEA EFTA members) to provide financial contributions to alleviate economic and social disparities within the EEA area. At the same time, a separate agreement was also reached on the Norwegian Financial Mechanism, i.e. Norway Grants.²⁹ Under these new provisions for both grants, Norway will contribute €2,801.8 million over the seven-year period.³⁰

2.28. The EFTA Surveillance Authority (ESA) is responsible for monitoring the implementation of EEA provisions in the EEA EFTA States, thus ensuring uniform application of internal market rules. EEA States are required to notify the transposition of EU Directives and Regulations, as well as abide by competition and state aid rules; thus, the ESA performs enforcement functions and it can order repayment, impose fines, etc. The ESA has been allocated specific tasks in supervising financial services. The ESA has the powers to adopt certain defined decisions that are legally binding on national supervisory authorities and market operators (including credit institutions, insurance companies and investment firms) established in the EEA EFTA States

2.29. According to the ESA's latest Internal Market Scoreboard, Norway saw a general improvement in the transposition deficit during the review period.³¹ As of May 2017, only two directives had not been transposed in a timely manner, leading to a reduction in the transposition deficit to 0.2%. The two outstanding directives yet to be transposed concern technical barriers on goods and the environment. In the area of outstanding regulations, Norway had only three outstanding, all in the area of food, feed, animal health and welfare. However, it had a slightly worsening record in the area of infringement cases in the latest scoreboard, due to lack of conformity or incorrect application of a rule, as the number of cases rose from 34 to 37. Overall, the level of infringement cases varied over the review period, initially rising to 67 cases in 2013 and then falling during the last three years.

2.30. Since 2015, Norway and the European Union have been re-negotiating their bilateral agreement on trade in agricultural products. An agreement was reached in April 2017 on improved market access through lower tariffs and improved tariff quotas.³² Close to 40 tariff lines will become duty-free for both parties on goods such as live plants, feed corn, and certain alcoholic beverages. Norway will open new or expanded quotas on beef, cheese, chicken and duck meat, and pork sausages, among other products. The European Union will open new quotas on products such as chicken meat, preserved meat and offal, dried milk and whey products, cut flowers, and potato chips. The ratification process is currently ongoing in the European Union, while the

²⁵ EFTA Secretariat online information. Viewed at: <http://www.efta.int/Legal-Text/EEA-Agreement-1327>.

²⁶ Lovdata online information. Viewed at: <https://lovdata.no/dokument/TRAKTAT/traktat/2013-06-17-12?q=E%C3%98S>.

²⁷ Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/aktuelt/agreement-norway-eu-grants/id2427805>.

²⁸ European Union online information. Viewed at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016D0837&from=EN>.

²⁹ EFTA Secretariat online information. Viewed at: <http://www.efta.int/EEA/news/Signature-agreements-Financial-Mechanisms-period-2014-2021-327391>.

³⁰ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-119-s-20152016/id2499581/sec7#KAP7-1>.

³¹ ESA online information. Viewed at: www.eftasurv.int/media/scoreboard/Scoreboard-No-40.pdf.

³² European Union online information. Viewed at: https://ec.europa.eu/info/news/eu-and-norway-conclude-negotiations-enhance-trade-agricultural-products-2017-apr-07_en.

agreement was ratified by the Storting on 16 June 2017. The agreement is expected to enter into force on 1 January 2019.³³

2.3.2.2 European Free Trade Association (EFTA)

2.31. The European Free Trade Association (EFTA) Convention of 1960 establishes the legal basis for today's EFTA and regulates the free trade relations between the current four EFTA States – Iceland, Liechtenstein, Norway, and Switzerland. As three of the four EFTA members are now part of the EEA, the EFTA Convention mainly concerns trade between Switzerland and these three. The Convention covers trade in goods and services as well as investment and movement of persons. EFTA members are highly integrated into the world economy and have negotiated one of the largest networks of FTAs. About 80% of EFTA members' trade is conducted through FTAs.³⁴

2.32. Norway is a party to the 26 EFTA FTAs which cover trade with 37 partners (Table A2.2).³⁵ Historically, EFTA FTAs have been driven by EU negotiations so as to secure the same or similar access with third parties as negotiated by the European Union. However, more recently, EFTA partners have prioritized negotiations based on economic principles.³⁶ During the review period, EFTA concluded new agreements that have entered into force for Norway with respect to Bosnia and Herzegovina; some Central American States (Costa Rica, Guatemala, and Panama); the Gulf Cooperation Council (GCC); Georgia; Hong Kong, China; and Montenegro. These FTAs have generally covered the following subjects: trade in non-agricultural products; trade in services; investment; protection of intellectual property; government procurement; competition; trade and sustainable development; cooperation; and dispute settlement. Trade in unprocessed agricultural products is not fully covered in the EFTA agreements. The agreement with the GCC has not yet been notified to the WTO but Norway has implemented the agreement since 1 July 2014.

2.33. As of late 2017, EFTA States were pursuing talks or FTA negotiations with Ecuador, India, Indonesia, Malaysia, MERCOSUR, and Viet Nam. Talks had been held but negotiations were on hold with respect to possible FTAs with: Algeria; Honduras; Thailand; and the Russian Federation, Belarus and Kazakhstan.³⁷ Joint declarations on cooperation exist with respect to Mauritius, Mongolia, Moldova, Myanmar, Nigeria and Pakistan. EFTA was also undergoing work to update certain existing agreements. An FTA with the Philippines was concluded in 2016 but had not yet entered into force as of December 2017.

2.3.2.3 Bilateral FTAs

2.34. Outside its agreements with the European Union and EFTA, Norway has two bilateral FTAs at present, regulating trade with the Faroe Islands (1993) and Greenland (1985).³⁸ The agreement with the Faroe Islands grants free trade in industrial and fish products. The agreement also has provisions on competition, rules of origin, monopolies, public procurement, protection of intellectual property, dumping, and safeguard measures. A separate agreement on agricultural products was concluded together with the FTA. The agreement with Denmark covering trade with Greenland provides for the continuation of the treatment following from the provisions of the Agreement between Norway and the European Economic Community after Greenland left the European Community's customs area. The coverage for trade in goods is expanded to those goods covered by zero tariffs in the EFTA Convention of 4 January 1960. The FTA covering trade with Greenland has not been notified to the WTO.

³³ Regjeringen online information. Viewed at: https://www.regjeringen.no/en/aktuelt/biannual_170418/id2549368/.

³⁴ EFTA online information. Viewed at: <http://www.efta.int/sites/default/files/publications/fact-sheets/General-EFTA-fact-sheets/efat-at-a-glance-september-2016.pdf>.

³⁵ Twenty-six were in force as of September 2017; an additional one with the Philippines has been completed but has not yet entered into force.

³⁶ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-29-20142015/id2413532/sec1?q=trade>.

³⁷ EFTA online information. Viewed at: <http://www.efta.int/free-trade/free-trade-agreements>.

³⁸ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/tema/naringsliv/handel/nfd---innsiktsartikler/frihandelsavtaler/partner-land/id438843/>, https://www.regjeringen.no/contentassets/e9ed51b25b1041dd9b2c23fc10da5f16/faeroeyene_avtale.pdf, and https://www.regjeringen.no/contentassets/e9ed51b25b1041dd9b2c23fc10da5f16/gronland_avtale.pdf.

2.3.2.4 Unilateral preferences

2.35. Norway's GSP scheme has been in place since 1971, and it provides for preferential imports from developing and least developed countries. There have been several developments in Norway's GSP scheme during the review period. In 2013, Norway revised its GSP system and introduced a new category of beneficiaries, designated "GSP+". As of end-2017, there were about 90 countries benefitting from Norway's GSP scheme.³⁹ Norway's scheme is based on the OECD's DAC list of ODA Recipients, with the exception of FTA partners. The level of benefit is based on the countries' categorization on the OECD's DAC List, i.e. LDCs, other low-income countries, lower middle-income countries, and upper middle-income countries.

2.36. LDCs and other low-income countries with less than 75 million inhabitants benefit from duty- and quota-free imports on all eligible products. Lower middle-income countries and territories with less than 75 million inhabitants (GSP+) benefit from an intermediary position, benefitting from better market access than ordinary GSP beneficiaries. This change facilitates an easier adoption for countries as they graduate or move up the GSP benefit scale. Lower middle-income countries and territories with more than 75 million inhabitants and upper middle-income countries and territories benefit from tariff reductions of between 10% and 100%.⁴⁰

2.37. Another development has been the harmonization of GSP rules of origin and common documentation among Norway, Switzerland, and the European Union. In 2017, an agreement was reached after seven years of negotiations, whereby the parties have implemented self-certification of proof of origin in lieu of Form A. The GSP exporter must, however, register with the REX (Registered Exporter system), as developed and operated by the European Union.⁴¹ REX was approved by the Parliament in December 2016, and is being implemented through the customs procedures. The agreement is not yet formally in force, but REX implementation is temporarily based on domestic regulations.⁴²

2.38. Norway, together with the European Union, Switzerland, and Turkey, also reached agreement on the issue of cumulation of origin in the framework of the GSP.⁴³ The agreement notes that the parties apply similar GSP rules of origin and that they will recognize originating materials under the respective GSP rules of origin of the other parties. Furthermore, there is a provision for customs administrative cooperation specifically for the purposes of verification and proof of origin. However, there are certain restrictions regarding regional cumulation for chapters 1-24 for the SAARC region. The rest of the agreement mainly contains provisions on the acceptance of replacement proofs of origin among the parties. The agreement is not yet formally in force, but administrative cooperation takes place in line with a common understanding between the parties to the agreement.

2.39. Norway's GSP scheme has a security mechanism, i.e. safeguard, for agricultural products under the GSP. When imports cause significant or potential market disturbances, the provisions in the regulation allow the King to take measures, including the immediate removal of the preferential tariff treatment. The regulation provides that the mechanism would apply to all developing countries covered by the GSP scheme and would not be in place for more than one year.⁴⁴ The mechanism has never been invoked.

³⁹ WTO document WT/COMTD/N/6/Add.6 and Norway Customs online information. Viewed at: <https://www.toll.no/en/corporate/import/free-trade/gsp---generalized-system-of-preference/countries-that-are-a-part-of-the-norwegian-gsp-system/>.

⁴⁰ Regjeringen online information. Viewed at: https://www.regjeringen.no/en/aktuelt/market_access/id707129/.

⁴¹ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls0-20172018/id2574326/sec2?q=gsp#KAP11-5>.

⁴² Customs Regulations, section 8-5-11.

⁴³ European Union online information. Viewed at: http://eur-lex.europa.eu/resource.html?uri=cellar:51974fc1-9774-11e6-a9e2-01aa75ed71a1.0010.02/DOC_2&format=PDF. Lovdata online information. Viewed at: <https://lovdata.no/dokument/TRAKTAT/traktat/2017-06-21-12?q=gsp> and <https://lovdata.no/dokument/TRAKTAT/traktat/2017-06-21-11?q=gsp>.

⁴⁴ Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2008-03-07-228>.

2.4 Investment Regime

2.40. Norway's investment regime consists mainly of a number of provisions in various sectorial laws that have an impact on foreign direct investment, and in addition a relatively small number of bilateral investment agreements. The legislation has not undergone any significant changes during the review period. Although there is no overarching law, nor policy, on foreign investment, a number of government organizations provide information to potential investors or otherwise promote foreign investment. Furthermore, the basic principles of the EEA apply in Norway as in other EEA member States, including freedom of establishment and free movement of capital, which enables cross-border investment by residents and companies of other EEA member States without discrimination.

2.41. Following the 2002 repeal of Norway's Business Acquisition Act No. 79 of 1994, there has been no requirement for notification or control for foreigners acquiring Norwegian business activities or assets.⁴⁵ However, the Government has submitted to the Storting a new National Security Act. The new Act contains a mechanism to control the acquisition by foreign entities of Norwegian companies that play a crucial role in supporting critical national services. The Storting was expected to debate and vote on the Act in the first quarter of 2018.

2.42. Norway's investment regime and policy falls under the responsibility of the Ministry of Trade, Industry and Fisheries.

2.4.1 Framework agreements

2.43. Norway has in place 14 bilateral investment treaties (BITs), which did not undergo revision during the review period.⁴⁶ These are longstanding BITs, as Norway has not concluded any new agreements since the mid-1990s. These 14 agreements are not identical, but generally include provisions on promotion and protection of investments, MFN treatment, expropriation and compensation, transfers of currency, subrogation, settlement of disputes, etc.

2.44. During 2006-8, Norway commenced work on a general review of bilateral investment, and produced a draft model agreement with input and comments from interested parties.⁴⁷ This work also resulted in a paper outlining the comments and rationale for future investment agreements.⁴⁸ After receiving critical feedback from interested parties, mainly resulting from a failure to achieve a proper balance, the Government decided not to proceed with this draft.⁴⁹ In 2015, the process was revitalized and a new revised draft model BIT was sent out for public consultation. After the consultation, the Government continued to work on the draft model text, as there remained outstanding issues concerning investor-state dispute settlement procedures that were ultimately to be left to the Storting to decide upon due to constitutional compatibility. Therefore, this work has not yet led to the negotiation of any new BIT.

2.45. As of July 2017, Norway also had tax treaties in force with about 95 countries or territories.⁵⁰

2.4.2 Investment restrictions

2.46. In general, Norway has an open investment regime, but there are a number of long-standing restrictions in certain areas (Table 2.1). There have not been any changes to these during the review period, and Norway does not currently have any plans to further open these

⁴⁵ Act on the Repeal of the Business Acquisitions Act No. 38 of 2002.

⁴⁶ Chile, China, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Madagascar, Peru, Poland, Romania, the Russian Federation, Slovakia and Sri Lanka.

⁴⁷ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/tema/naringsliv/handel/nfd---innsiktsartikler/frihandelsavtaler/norways-free-trade-agreements/id457017/>.

⁴⁸ Regjeringen online information. Viewed at: <https://www.regjeringen.no/globalassets/upload/nhd/vedlegg/hoeringer/2008/forklarende-vedlegg-engelsk---final.doc>.

⁴⁹ IISD online information. Viewed at: <https://www.iisd.org/itn/2009/06/08/norway-shelves-its-proposed-model-bilateral-investment-treaty/>.

⁵⁰ Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/topics/the-economy/taxes-and-duties/tax-treaties-between-norway-and-other-st/id417330/>.

sectors to foreign investors. Consistent with Norway's acceptance of the "four freedoms" under the EEA Agreement, Norway may not restrict investments from citizens of another EEA member unless the restrictions are derived from the pursuit of specific policy objectives and the same restrictions apply to Norwegian citizens. A number of the investment restrictions listed below are non-discriminatory licencing requirements etc., which apply equally to Norwegian and foreign investors.

Table 2.1 Investment restrictions, 2018

Sector	Restriction	Legal reference
Land, real estate and long-term leases, farmland and forests, among others	Concessions are required for acquisition and for leases of longer than 10 years and on certain ownership of land	Concessions Act, No. 98, of 28 November 2003
Waterfalls, power supply rights, mining rights	Requires licensing and approval of the relevant ministry	Act on Acquisition of Waterfalls, Mines and Other Real Estate, No. 16, of 14 December 1914; Act relating to the regulation of watercourses, Act No. 17, of 14 December 1917
Financial institutions	Purchase of over 10% of the share capital is subject to suitability assessments. Banks from non-EEA countries must establish a subsidiary or branch to provide banking services. At least 50% of the members of the board and half the members of the corporate assembly of a bank must be Norwegian or EEA nationals or residents	Financial Undertakings Act. See Chapter 5 (Section 5-1 (subsidiary) and 5-6 (branch))
Petroleum and gas exploration and exploitation	Subject to discretionary government license for exploration and production	The Petroleum Act, No. 72, of 29 November 1996
Audio-visual services	Foreign entities, excluding the EEA, may not control more than one third of the newspaper, radio, or television markets without a concession	Media Ownership Act, Act No. 53, of 13 June 1997
Commercial fishing	Licences granted to Norwegian citizens and companies in which Norwegians own at least 60% of the capital and hold 60% of the shares	The Participation Act, No. 15, of 26 March 1999
Air transport	Registration of aircraft that have Norwegian or EEA nationality; foreign ownership is limited to one third or less of the capital of the Norwegian joint stock company	Aviation Act, No. 101, of 11 June 1993
Maritime transport	To be registered as a vessel in the Norwegian Ordinary Ship Register (NOR), a minimum of 60% of the capital is to be held by Norwegian or EEA nationals. This capital requirement is not applicable to the registering of a vessel in the Norwegian International Ship Register (NIS).	Maritime Code, Act No. 39, of 1994

Source: WTO document WT/TPR/S/269/Rev.1, Global Trade.net online information. Viewed at: <https://www.globaltrade.net/f/business/Norway/Investing.html###>, Export.gov online information. Viewed at: <https://www.export.gov/article?id=Norway-openness-to-foreign-investment>. US State Department online information. Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/2015/241690.htm#6>.

2.4.3 Investment promotion and business environment

2.47. Innovation Norway is the government body for business development creation throughout the country. The main goal of Innovation Norway is to trigger commercial and economically successful business development, as well as to enhance regional economic development. Innovation Norway operates Invest in Norway, the investment promotion agency responsible for attracting and facilitating foreign direct investments in Norway. Invest in Norway was created in 2013 by Innovation Norway in cooperation with the Research Council of Norway and Industrial Development Corporation of Norway (SIVA). It serves as a central point for potential foreign investors to obtain key information, access opportunities and organize meetings/network. Invest in Norway promotes a number of leading and emerging industries, e.g. bio-economy, energy and cleantech, and electric mobility, and provides information on government programmes in these

and other sectors as well as on possible grants or sources of funding.⁵¹ Innovation Norway, the parent organization of Invest in Norway, provided Nkr 6.7 billion in funds (as allocated by the Storting, from the county councils and from loan schemes) in 2016, mainly to companies and entrepreneurs. According to Innovation Norway, the Nkr 6.7 billion triggered investments, both domestic and foreign, of Nkr 20.1 billion in 2016. Changes were made to the law on Innovation Norway in 2016 which established that Innovation Norway is mainly owned by the Ministry of Trade, Industry, and Fisheries (51%) and the counties (49%), and provided for the dissolution of the regional boards in decision making.⁵²

2.48. SIVA is a state-owned company under the Ministry of Trade, Industry and Fisheries operating through property investments and innovation activities to improve business development. Through property investments, its aim is to lower entry barriers for industrial projects. Through innovation activities and networking, its aim is to facilitate the establishment and development of enterprises in business and knowledge environments. SIVA is often a partner for major industrial projects through its science and technology parks and Norwegian Innovation Clusters (NIC); in addition, it is co-owner of almost 100 innovation companies. SIVA receives funding from the Norwegian Parliament but the property activities are self-financed. In 2017, SIVA received Nkr 64.5 million to fund its innovation activities, and Nkr 50 million to fund a new programme for supporting industrial test facilities.

2.49. The Research Council of Norway is the Government's body for research issues. As the only national research funding agency, it provides about Nkr 9 billion in funding each year for research and innovation projects, mainly to universities and institutes.⁵³ It supports industry through funding schemes for industrial research and access to tax credit schemes, as well as by guidance on other relevant schemes for research cooperation and funding. It promotes international research networking through cooperation agreements and international funding mechanisms.

2.50. Investinor is Norway's venture capital fund investor operating as a private investor on commercial terms in order to stabilize liquidity in the capital market. It only invests in Norwegian firms. It manages about Nkr 4.2 billion and takes a minority holding in the companies it invests in, i.e. maximum 49%. It typically invests in early-stage segments of the market that are underserved by private investors, in order to increase entrepreneurship and value creation in the Norwegian economy.⁵⁴ As of 2017, it had a portfolio of 46 companies. In 2016, profits were Nkr 122.0 million and it provided new venture capital of Nkr 328.5 million.⁵⁵

2.51. Norway also receives funding for businesses and start-ups through EU funding mechanisms. In 2017, the first funding arrangement between the European Investment Fund (EIF) and Norway for SME financing was set up. Pursuant to the agreement between the EIF, Innovation Norway, and the National Promotion Institute of Norway (NPI), the EIF will provide Nkr 900 million in direct guarantees, Nkr 300 million in counter-guarantees, and up to Nkr 400 million in loans for SMEs during 2017-18.⁵⁶

2.52. All foreign and domestic business enterprises involved in trade or business in Norway are required to register with the Brønnøysund Register Centre (Brønnøysundregisteret), pursuant to the Law on the Registration of Enterprises.⁵⁷ Registration gives the company the right to conduct business, legal protection of its name, and identification for tax and customs purposes. Different fees apply for registration depending on the filing method (online or by post) and type of enterprise; fees generally range from Nkr 2,250 to Nkr 6,797. Certain permits or licences may

⁵¹ Invest in Norway online information. Viewed at: <http://www.innovasjon norge.no/en/start-page/invest-in-norway/industries/>.

⁵² Innovation Norway online information. Viewed at: http://www.innovasjon norge.no/en/arsrapport---spa-page-en/#side=en_208481.

⁵³ The Research Council of Norway online information. Viewed at: https://www.forskningsradet.no/en/The_role_of_the_Research_Council/1138785841810.

⁵⁴ Investinor online information. Viewed at: <http://www.investinor.no/om-oss/>.

⁵⁵ Investinor online information. Viewed at: <http://www.investinor.no/aarsrapport-2016/styrets-beretning/>.

⁵⁶ European Investment Fund online information. Viewed at: http://www.eif.org/what_we_do/guarantees/news/2017/innovfin_innovation_norway.htm.

⁵⁷ Act No. 13 of 6 June 1997. Lovdata online information. Viewed at: <https://lovdata.no/dokument/NL/lov/1997-06-06-35>.

also be required to operate businesses in certain sectors subject to a number of national requirements; these are numerous and vary considerably by sector.⁵⁸

2.53. There are many different forms of business establishment, i.e. sole-proprietorships, partnerships, cooperative societies, associations, foundations, public limited companies, and Norwegian-registered foreign enterprises.⁵⁹ Choice of establishment is often influenced by tax, liability, and risk factors, with foreign companies often establishing businesses in Norway as branches of foreign corporations or subsidiaries (i.e. as a limited liability company). Businesses, including subsidiaries, are liable for corporate taxation in Norway at a corporate tax rate of 23% on profits as of 1 January 2018. The corporate tax rate has gradually been reduced over the review period, from 28% in 2013 to 23% in 2018.

2.54. According to the World Bank's Ease of Doing Business survey 2017, Norway ranked 6th, a slight improvement from 8th in 2016 and no change from 2012 (6th). The highest ranking scores in the sub-categories were with respect to enforcing contracts, resolving insolvency, and protecting minority investors; while the weakest areas were getting credit and dealing with construction permits.⁶⁰

⁵⁸ See Altinn online information. Viewed at: <https://www.altinn.no/en/Start-and-Run-a-Business/Before-start-up/Planning/Do-you-have-to-ask-permission/>.

⁵⁹ Altinn online information. Viewed at: <https://www.altinn.no/en/Start-and-Run-a-Business/Before-start-up/Choosing-an-organisational-structure-/>.

⁶⁰ World Bank Doing Business online information. Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/norway#trading-across-borders>.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. The main legislation for customs, the 2007 Act on Customs Duties and Movement of Goods (Customs Act) and its related regulations, 2008 Regulations to the Act on Customs Duties and Movement of Goods (Customs Regulations), continue to provide the main framework for import and export procedures in Norway.¹ They provide the overall framework including customs treatment, relief from customs duty, preferential tariffs, trade measures, duty drawback, customs control, customs cooperation, penalties and sanctions. During the review period, the Act was amended seven times and the Regulations at least 100 times.²

3.2. The amendments to the Act resulted in many changes but several were concentrated in the area of customs control³ and infringement whereby new fines and infringement charges were introduced as well as related procedural aspects.⁴ The main reason for introducing the fines in Section 16-7 of the Customs Act was the introduction of postponed accounting of import VAT from 1 January 2017.⁵ Previously, violations had been sanctioned with additional VAT. The fines are incorporated in the regulations and are applicable from 1 January 2017; there are differing fines for various infringements.⁶ One of the other significant changes introduced during the period was an increase in the ceiling on the duty-free private importation of goods from Nkr 200 to Nkr 350 but also the inclusion of the previously excluded costs of insurance and transportation for the determination of value.⁷ Thus, this mainly results in savings for small mail order shipments.⁸

3.3. The Norwegian Customs (Tolletaten) is responsible for customs and border control matters; it is under the Ministry of Finance and operates with a budget of Nkr 1,512 million (2016). There was a reorganization of certain functions as of 1 January 2016 when the Customs and Excise Service was renamed the Customs Service, and the Tax Administration (Skatteetaten) took over certain post-clearance control activities, responsibility for the collection of customs duties, import VAT and excise duties, and administrative responsibility for the import VAT and excise duties. Following the change of name and functions, there has been a greater emphasis placed on border aspects and thus the key tasks of the Norwegian Customs are border control and the management of goods.

3.4. The Norwegian Customs developed a new business strategy in 2017. It recognized the increase in the flow of goods coming into and out of the country and the control and inspection measures it carries out on behalf of about 30 government agencies. Customs places an emphasis on its social protection role and government revenue generation through collection of duties and fees. As part of its effort to modernize, create effective procedures, and make efficient use of resources, it has developed several strategies focused on: better and more efficient procedures; improving information flows; automation of processes; and improving compliance through better control systems and selection of consignments for inspection.⁹

¹ The Act on Customs Duties and Movement of Goods (Customs Act) of 21 December 2007, No. 119 and Regulations to the Act on Customs Duties and Movement of Goods (Customs Regulations) of 17 December 2008, No. 1502. Norwegian Customs online information viewed at:

http://www.toll.no/contentassets/71f70c1b980a45b8b57098ded3069fd9/act_on_customs_duties_and_movement_of_goods_jan2017.pdf and

http://www.toll.no/contentassets/eb096d765fd3460c9415b6a3d158aec1/regulations_to_the_act_on_customs_duties_and_movement_of_goods_april17.pdf.

² Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2008-10-10-1132>.

³ Development of control and intelligence measures, including adaptation to new requirements.

⁴ Lovdata online information. Viewed at: <https://lovdata.no/dokument/LTI/lov/2016-12-20-115>.

⁵ In parallel with the transfer of responsibility of the import VAT to the tax authorities regarding economic operators that are registered for VAT on 1 January 2017.

⁶ Regjeringen online information. Viewed at: https://www.regjeringen.no/contentassets/a51e3fb5c0b1446f8a1fd5aa9548553d/2017_tod.pdf.

⁷ Lovdata online information. Viewed at: <https://lovdata.no/dokument/LTI/forskrift/2014-12-22-1915>.

⁸ It excludes alcohol and tobacco products.

⁹ Norwegian Customs online information. Viewed at: <https://www.toll.no/no/om-tolletaten/om-oss/strategiplan/>.

3.5. Norway's revenues from customs duties amounted to Nkr 3 billion in 2015 (Table 3.1). Although these revenues increased slightly during the review period, they remain small in terms of total government revenues, with customs duties amounting to about 0.2%.¹⁰ Import declarations far outnumber export declarations and they reached 5.7 million in 2016, the highest on record. Norway has a relatively high failure rate, i.e. about 40% on document checks due to the goal-oriented selection of declarations where errors are expected (Table 3.1). Enforcement procedures resulted in about 35,000 seizures per year and about Nkr 22 million, on average, in IPR recovered funds. In July 2013, the Norwegian Customs was given more authority with respect to counterfeit goods. These provisions included increased penalties, extended retention limits, and gave right holders more enforcement possibilities.

Table 3.1 Customs statistics, 2012-17

	2012	2013	2014	2015	2016	2017
Customs duties (Nkr million)	2,877	2,882	2,980	3,068	3,287	3,383
Import declarations	5,231,002	5,536,271	5,794,936	5,671,648	5,761,647	6,318,874
Document checks on imports	154,707	145,922	143,098	133,494	131,143	141,878
Failure rate on document checks (%)	33	36	37	40	37	38
Physical inspections on imports	9,165	8,497	8,226	9,071	9,041	7,570
Serious violations	183	185	229	198	109	106
Export declarations	1,177,232	1,269,026	1,383,477	1,412,038	1,433,180	1,545,097
Document checks on exports	22,379	23,405	20,689	20,713	19,711	21,740
Physical inspections on exports	1,282	1,371	1,371	1,362	1,582	1,316
Classification opinions issued within 90 days (%)	99.1	98	99.4	98.2	98.1	96.5
Corrected amount in favour of the state after control (Nkr million)	326	389	224	281	242	72
IPR control (Nkr million recovered)	18	16	31	35	20	13.2
Seizures	35,879	35,729	34,570	34,155	34,908	37,498

Source: Customs Annual Reports, 2014-16. Customs online information. Viewed at: <https://www.toll.no/no/om-tolletaten/om-oss/arsrapport/>.

3.6. Norway's import procedures involve the submission of a customs declaration through its electronic system or the completion of the Single Administrative Document (SAD) along with the invoice, shipping documents, and any licences or special provisions. However, the Single Administrative Document is only used as a fall-back procedure and for private persons. Customs declarations are generally 100% processed electronically through Norway's TVINN system, with paper declarations subsequently processed through it as well. Through a number of filters or risk-assessment criteria in TVINN, some declarations are selected for manual document control. If there are further uncertainties after a document control, the shipment may be selected for physical inspection. TVINN also checks import values for the determination of duties to be paid (see also Section 3.1.1.1).

3.7. In 2018, Norwegian Customs plans to launch a pilot project for express customs clearance.¹¹ Express Customs is built on the premise that all relevant information will be submitted ahead of goods crossing the border, thus it will entail sending information before arrival of the transport vehicle, treatment of risk assessment before arrival, and electronic border control. As part of this initiative, Customs is developing a new electronic platform for the submission of manifest information. The project is expected to be tested at one border crossing (Ørje) in 2018 and then evaluated with respect to how it can be implanted at other border crossings.

¹⁰ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-1-is-ls-20162017/id2514108/sec2#KAP11>.

¹¹ Norwegian Customs online information. Viewed at: <https://www.toll.no/no/bedrift/hva-er-ekspressfortolling/>.

3.8. According to Customs Regulations Section 3-3, ships arriving to Norway from another country, should report a set of information on the specific voyage. The ship-notification should be submitted using an electronic notification portal – SafeSeaNet Norway prior to arrival. The ship-notification should include information on the cargo on board (if any) and other information such as information on crew/passenger/ship stores. The reporting formalities apply to all ships.

3.9. Norway has an Authorized Economic Operator (AEO) programme but only for security-related matters and not for expedited customs procedures.¹² However, the subject of AEO for customs is under discussion. To achieve AEO status, a firm is evaluated on its general background, financial solvency, accounting and logistics system, internal control, and safety requirements. The advantages of the AEO status are advanced notification, fewer controls, and priority if controlled. As of early 2018, 29 enterprises had AEO status.

3.10. Norway operates a bonded warehouse scheme whereby there are four main types of warehouses, Types A, B, C, and D.¹³ Sections 4-30 and 4-31 of the Customs Act provide the basic rules for establishment and storage length while the Customs Regulations expand upon them. There are different responsibilities of the warehouse operators or traders depending on the type of warehousing arrangement; for example, type A allows for ordinary stocking only, whereas D allows for processing. Goods may be stored in bonded warehouses indefinitely and any type of good may be stored so long as it is not a hazard. The use of bonded warehouses requires an application submitted by the user to Customs, which is then in charge of approving them. There are approximately 650 bonded warehouses in Norway; a figure that has remained relatively stable over the review period.

3.11. A number of simplified or special schemes exist for goods in transit. Through the bonded warehouse scheme, Norway offers an authorized recipient scheme whereby goods in transit can be received directly to the importer's warehouse. An importer must apply for this status and meet certain criteria in order to qualify. There is also an authorized sender scheme in which the sender can use a simplified transit procedure so that the goods and documentation do not have to be submitted to Customs at the departure point.

3.12. In terms of the right to appeal under the Customs Act, traders have the right to contest the customs authorities' decision within six months of the notification pursuant to Section 12-14 of the Customs Act. The Customs may require an administrative appeal before the matter is taken to the district courts. Traders have the right to appeal any decision made by one of the six regional customs authorities to the Directorate of Customs. The decisions of the Directorate in appeals cases are final, unless it is the Directorate that has made the decision in the first place, in which case the decision can be appealed to the Ministry of Finance. Of the decisions made by the regional customs authorities in 2017, approximately 200 were contested and appealed to the Directorate.

3.13. Norway's Customs Act provides for free trade zones and ports but currently there are none and no plans to establish them.

3.14. Norway has two border agreements, with Sweden and Finland, from 1959 and 1968 respectively.¹⁴ The agreements simplify customs control and clearance, and for this reason aim at improving cooperation between the countries. They also have provisions for the establishment of control zones along each side of the border in order to facilitate importation and exportation.

3.1.1.1 Trade facilitation

3.15. Norway has been a strong supporter of the WTO's work on trade facilitation. In October 2015, Norway ratified the agreement which has prompted some changes in law and regulations. To allow for formal consultations with traders according to the Trade Facilitation Agreement (TFA) Article 2.2, a new Section 12-15 was introduced in the Customs Act with effect from 2016. Some minor adjustments to the Customs regulations were under consideration by the

¹² Norwegian Customs online information. Viewed at: <https://www.toll.no/no/bedrift/aeo/>.

¹³ Altinn online information. Viewed at: <https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Export-and-import/Bonded-warehousing-in-Norway/>.

¹⁴ Norwegian Customs online information. Viewed at: <https://www.toll.no/no/verktoy/regelverk/avtaler/tollsamarbeidsavtaler/>.

Ministry of Finance as of early 2018.¹⁵ Norway had been active in the negotiations on trade facilitation before the TFA's conclusion, continues to take an active interest in the TFA, and is a donor to the Trade Facilitation Agreement Facility (TFAF).¹⁶ Norway's financial contribution to the TFAF in 2015 and 2016 was Nkr 30 million. As of February 2018, Norway had made one notification, pursuant to Articles 22.1 and 22.2 of the Agreement. Trade facilitation provisions are also introduced in several free trade agreements to which Norway is a party.

3.16. Norway has rules for advance rulings, i.e. binding tariff information (BTIs), binding origin information (BOIs), and fees or charges that may apply to imports or exports. The rules are contained in the Customs Act, Section 12-13, and the Customs Regulations, Section 12-13-1 to 10. Norway makes the binding tariff information (BTIs) available through the TASS database on its website.¹⁷ BTIs are valid for six years whereas BOIs are valid for three years. Customs can choose not to issue an advance ruling, and this decision cannot be appealed, however once an advance ruling is made, the ruling may be appealed, but not taken to court. However, if this advance ruling has been used as the basis for another decision, then it may be brought before a district court. Requests for advance rulings are to be made in writing to the customs office where the importer is resident. The rules do not specify the period of time to issue an advance ruling.

3.17. In terms of electronic systems, Norway continues to use TVINN and does not have a single window application as such. Norway is in the early stages of elaborating and digitalizing customs systems. For customs enforcement, Norway is developing TREFF which will strengthen intelligence and improve information flow.

3.18. Norway does not maintain separate provisions for expedited shipments.

3.1.1.2 Customs valuation

3.19. Norway's rules on customs valuation are contained in Section 7 of the Customs Act and further elaborated in Section 7 of the Customs Regulations. There have been no changes to the Act as concerns customs valuation during the review period. The Regulations, as they pertain to customs valuation, underwent only minor changes with respect to certain duty-free imports (see Section 3.1.3.5) and currency conversion rates, thus the main elements as they pertain to valuation methods have not changed.¹⁸

3.20. Section 7 of the Act provides for the determination of customs duty by volume or weight and by value (based on WTO provisions). There are also special rules or procedures for goods that are re-imported after processing or repair, reduction of the calculation when goods are damaged or spoilt, for setting aside the declared basis of the calculation, and deferring the final determination of value.¹⁹ Sections 7-10 through 7-16 set out the hierarchical order of customs valuation methods per the Agreement on Implementation of Article VII of GATT 1994. Similarly, the regulations provide further guidance on many of the sections of the Act, often incorporating information from the WTO Agreement or its interpretive notes.

3.21. Norway values goods on a c.i.f. basis and the costs of transport, insurance and freight are to be added to the customs value if the price does not already include them.²⁰ The customs value must also be converted to Norwegian kroner using the Customs exchange rates that are published every week.²¹ According to the authorities, the transaction value method is used in the vast majority of cases. Norway has provisions for treatment of interest charges through Customs Regulation Section 7-18 which outlines that interest paid by the buyer under a written financing arrangement shall not be included in the customs valuation provided it is separate from the price actually paid or payable. For valuation of carrier media bearing software for data processing equipment, Norway first determines if such item is a good or service, and in the case it is a good, the whole product is defined as a good and the customs value according the principal method will

¹⁵ WTO online information. Viewed at: <http://www.tfafacility.org/ratifications>.

¹⁶ WTO online information. Viewed at: <http://www.tfafacility.org/norway>.

¹⁷ Norwegian Customs online information. Viewed at: <http://tass.interpost.no/toll/TASSTollNo.jsf>.

¹⁸ Lovdata online information. Viewed at: <https://lovdata.no/dokument/LTI/forskrift/2016-06-29-848>.

¹⁹ Sections 7-4, 7-5, 7-6, and 7-20 of the Customs Act.

²⁰ Norwegian Customs online information. Viewed at: <https://www.toll.no/no/bedrift/import/beregning/tollverdi/transaksjonsverdien--tolloven--7-10/>.

²¹ Norwegian Customs online information. Viewed at: <https://www.toll.no/no/verktoy/valutakurser/>.

be the transaction value, that is the price actually paid or payable for the goods (carrier and digital content) when sold for export.

3.22. Norway last notified its domestic legislation on customs valuation to the WTO Committee on Customs Valuation in May 2009.²²

3.1.2 Rules of origin

3.23. Norway's rules of origin (preferential and non-preferential) are set out in the Customs Act and associated Customs Regulations (chapter 8). Amendments to the Act in 2013, implemented in 2016, changed the rules for non-preferential and preferential origin, both for FTA and GSP preferential trade.²³ The associated changes to the regulations were also implemented in 2016.²⁴ There have also been some other, relatively minor, clarifications made on origin rules during the review period. As such, the structure of the regulations as they pertain to origin has changed significantly during the review period (Box 3.1).

Box 3.1 Outline of the main elements in the amended Customs Regulations on preferential and non-preferential rules of origin

Section 8-4 Preferential rules of origin	
Rules of origin concerning free trade agreements (Section 8-4 Part I)	
Section 8-4-1	Originating products
Section 8-4-2	Requirements for physical or accounting segregation
Section 8-4-3	Proof of origin upon exportation
Section 8-4-4	Approved exporter
Section 8-4-5	Control of the proof of origin
Section 8-4-6	Supplier's declaration
Section 8-4-7	Preservation of documentation of origin
Rules of origin for the GSP scheme (Section 8-4, Part II)	
Section 8-4-30	Definitions
Section 8-4-31	Conditions for preferential tariff treatment
Section 8-4-32	Products wholly obtained in a beneficiary country
Section 8-4-33	Sufficient working or processing - processing list
Section 8-4-34	Insufficient working or processing
Section 8-4-35	Cumulation
Section 8-4-36	One product - Unit of qualification
Section 8-4-37	Accessories, products in sets, neutral elements etc.
Section 8-4-38	Direct transport
Section 8-4-39	Exhibitions
Section 8-4-40	Re-importation of products
Section 8-4-41	Exemption from the rules of origin
Section 8-4-42	Proof of origin when exporting goods with GSP origin
Section 8-4-43	Proof of origin upon exportation of products of Norwegian origin to a GSP country

²² WTO document G/VAL/N/1/NOR/2.

²³ Law No. 124 of 13 December 2013 and Law No. 220 of 4 March 2016. Lovdata online information. Viewed at: <https://lovdata.no/dokument/LTI/lov/2013-12-13-124> and <https://lovdata.no/dokument/LTI/forskrift/2016-03-04-220>.

²⁴ Regulation No. 216 of 4 March 2016. Lovdata online information. Viewed at: <https://lovdata.no/dokument/LTI/forskrift/2016-03-04-215>.

Section 8-6 Non-preferential rules of origin

Section 8-6-1	Originating products - definitions
Section 8-6-2	Products originating in Norway
Section 8-6-3	Products originating in another country
Section 8-6-4	Products wholly obtained in Norway
Section 8-6-5	Sufficient working or processing
Section 8-6-6	Insufficient working or processing
Section 8-6-7	One product - Unit of qualification
Section 8-6-8	Accessories, spare parts and tools
Section 8-6-9	Neutral elements
Section 8-6-10	Working or processing of products abroad before exportation from Norway
Section 8-6-11	Issuing a national proof of origin (Certificate of Origin) upon exportation
Section 8-6-12	Duty of confidentiality
Section 8-6-13	Control of the proof of origin
Section 8-6-14	Supplier's declaration
Section 8-6-15	Verification of the proof of origin

Source: Lovdata online information. Viewed at: https://lovdata.no/dokument/SF/forskrift/2008-12-17-1502/KAPITTEL_8#KAPITTEL_8.

3.1.2.1 Non-preferential

3.24. Amendments to the non-preferential rules of origin removed the provisions on wholly obtained and substantial transformation from the text of the Act and created new Sections 8-6-1 to 8-6-15 in the Regulations (Box 3.1). The Act provides that Norway's non-preferential rules of origin apply to WTO MFN trade for goods not covered by a free trade agreement, and for the purposes of trade remedies.

3.25. The new rules on non-preferential origin, as contained in the regulations, provide for products originating in Norway and those originating in other countries. For each of these categories, the regulations explain the rules for wholly obtained goods and the rules for sufficiently worked or processed. The wholly obtained rules do not differ substantially from those that were removed from the Act, but the rules on substantial transformation, or what has been termed "sufficient work or processing" have been further elaborated compared to the previous rules. Thus, under section 8-6-5 of the Regulations, Norway now uses a change in HS sub-heading, at the six-digit level, or value criteria to determine origin for goods that are not wholly obtained. The relevant rules are as follows for products in HS chapters 2-97²⁵:

- the value of the materials does not exceed 50% of the finished product's ex-works price;
- production in which all used materials change subheading in the Harmonized System; or
- the product is only supplied with software to make it operational and the value of the materials does not exceed 30% of the finished product's ex-works price.

3.26. The non-preferential rules also define specific processes that are insufficient to confer origin, neutral elements that are not to be taken into account when determining origin, and how accessories, spare parts, and tools are to be handled. The remaining new elements for non-preferential origin deal with procedural aspects for issuing certificates of origin, supplier's declaration of origin, control of the proof of origin, and verification of this proof of origin.²⁶

²⁵ For goods in HS chapter 1, origin is determined by where the animal was born.

²⁶ Sections 8-6-11 to 8-6-15. Lovdata online information. Viewed at: https://lovdata.no/dokument/SF/forskrift/2008-12-17-1502/KAPITTEL_8#KAPITTEL_8.

3.1.2.2 Preferential

3.27. Norway has different rules of origin for preferential trade pursuant to free trade agreements and for unilateral preferential regimes, i.e. GSP. The basic rules, or framework, as set out in the Customs Act, have not changed during the review period for preferential rules, but nearly all the related customs regulations have been modified (Box 3.1). The section on origin rules for free trade agreements has been simplified and now mainly refers to the specific FTA agreements for origin determination. For GSP origin determination, the section maintains much of the structure of the previous regulations but many of the rules have been modified. There have also been changes to the section on documentary proof for the claims of preferential origin treatment, mostly as a consequence of the other changes.

3.28. For trade covered under free trade agreements, the revised regulations make clear that it is the provisions in those free trade agreements that determine the origin rules. Section 8-4-1 of the Regulations provides the relevant rules by trade agreement: for trade with EEA, EFTA, Greenland, and the EFTA agreements with Bosnia-Herzegovina and Montenegro, it is the Convention on Pan-Euro-Mediterranean Preferential Rules (PEM Convention) that is applied. For all other EFTA FTAs with third parties, it is the rules of origin as specified in the relevant protocol or annex that are applicable. Origin rules for these EFTA FTAs, in particular for developing countries, often involve simpler rules, i.e. more use of change of tariff heading.

3.29. Similar to Norway's rules of origin, the PEM Convention provides origin rules for wholly obtained goods and for products that are sufficiently worked or processed. The Convention provides a list for wholly obtained goods and an Annex II (listed by HS chapter) to determine whether products are sufficiently worked or processed.²⁷ The criteria used in the Annex utilize three main criteria for the determination of sufficiently worked or processed: value percentage, change of tariff heading, and specific rules. The PEM Convention also provides for bilateral and diagonal accumulation between the parties, and full accumulation between EEA partners.

3.30. Norway's GSP rules of origin continue to have nearly identical rules on wholly obtained with minor modifications to include aquaculture products and more stringent rules applied to vessels that are used to obtain or manufacture products from the sea. There are, however, more changes to the rules for sufficient working or processing and for cumulation.

3.31. Section 8-4-33 on sufficient processing has removed the main criteria of a change of tariff classification for origin determination. Instead, the previous secondary criterion of using the processing list in Appendix 6 of the regulations has become the main origin determinant. This list is similar to that of the PEM Convention in structure but the origin confirming processes often differ.²⁸ The alternative criteria of using a value method if the processing criterion is not met is retained but with significant amendments, as it changes the level and adds a volume measure as well. This provision provides that non-originating materials may nonetheless be used in the manufacture of products in HS chapters 1 to 49 and 64 to 97 provided that the total value or weight of the materials does not exceed:

- 15% of the product's total weight for products in HS chapters 2 and 4 to 24 (except for processed fishery products under HS heading 16);
- 15% of the product's ex-works price for other products; and
- the maximum value of non-originating materials laid down in the product specific rules for the relevant product are not exceeded (Appendix 6).

3.32. Rules on GSP cumulation have been changed to include regional cumulation for the South Asian Association for Regional Cooperation (SAARC) and for incorporating materials also from the European Union, Turkey, or Switzerland. In line with changes emanating from the European Union, Norway has also moved to a self-certification scheme for GSP exporters. Since 1 January 2017, this involves GSP exporters registering in the Registered Exporter System (REX) for

²⁷ PEM Convention. Official Journal of the European Union, L 54, 26 Feb. 2013. Viewed at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2013:054:TOC>.

²⁸ Lovdata online information. Viewed at: https://lovdata.no/dokument/SF/forskrift/2008-12-17-1502/KAPITTEL_22#KAPITTEL_22.

self-certification.²⁹ The system is being gradually phased in depending on the beneficiary country, with the traditional origin Form A operating in parallel for 12 months. As of 1 January 2017, the REX system applied to 38 countries or territories;³⁰ from 1 January 2018 it applied to another 22 – the second set of beneficiaries³¹; and from 1 January 2019, it is expected to apply to the last set of beneficiaries.³²

3.1.2.3 Notification

3.33. Norway notified its existing rules of origin under the 2007 Customs Act and 2008 Customs Regulations to the WTO Committee on Rules of Origin in 2009, and subsequently notified the amendments to these rules in 2016.³³ In 2017, Norway notified preferential rules of origin as they pertain to least developed countries pursuant to the 2015 Ministerial Decision.³⁴ The last notification to the Committee for preferential rules of origin pursuant to free trade agreements was in 2012 for the agreement between the EFTA States and Ukraine and the agreement between the EFTA States and Peru.³⁵ Thus, there appear to be a number of preferential notifications outstanding.

3.1.3 Tariffs

3.34. The Ministry of Finance has the authority to determine regulations for new tariffs or to change the current subdivisions in the Customs Tariff, i.e. the parliamentary resolution on customs duties for the relevant budget period. The authority is delegated to the Directorate of Norwegian Customs when the changes do not have a revenue, business or trade policy impact. The Customs Tariff is announced as a regulation in the Public Law Data Base and is usually applied from 1 January to 31 December. The customs tariff contains the rates of duties for MFN as well as preferential regimes, and also contains other information such as import and export control measures and tariff quotas. There are two columns for rates of duty, ordinary duties, i.e. MFN rates applied to all non-preferential imports, and duties under free trade agreements, i.e. varying rates per the various agreements.

3.1.3.1 Nomenclature

3.35. Norway's 2017 applied tariff schedule is in the HS2017 nomenclature, as introduced on 1 January 2017. In addition to the HS changes proposed by the WCO, Norway regularly makes other, relatively small changes to its nomenclature each year. This is mostly in response to the business community. In February each year, an invitation is sent to other governmental bodies and the trade organizations to propose amendments for the following year's customs tariff. In addition, the invitation is also published on the Customs website. The Directorate of Norwegian Customs then reviews these proposals and makes them available to the public for comment. Following the review, a recommendation is sent to the Ministry of Finance for approval. Norway's bound schedule was last certified in the HS2007 nomenclature.³⁶ As of August 2017, Norway had not submitted its proposed new WTO schedules containing the HS2012 or HS2017 changes, but it is currently under waiver for the HS2012 and HS2017 changes.³⁷

²⁹ Norwegian Customs online information. Viewed at: <https://www.toll.no/en/corporate/import/free-trade/gsp---generalized-system-of-preference/the-registered-exporter-system-the-rex-system-/>.

³⁰ Angola, Burundi, Bhutan, Brazil, Democratic Republic of Congo, Central African Republic, Chad, Comoros, Congo, Cook Islands, Djibouti, Ethiopia, Equatorial Guinea, Guinea Bissau, India, Kenya, Kiribati, Kosovo, Laos, Liberia, Mali, Micronesia, Nauru, Nepal, Niue Island, Pakistan, Solomon Islands, Sierra Leone, Somalia, South Sudan, São Tomé and Príncipe, Thailand, Togo, Tonga, Timor Leste, Tuvalu, Yemen, and Zambia. Viewed at: <https://www.toll.no/no/bedrift/import/tollfrihet/gsp/rex-systemet/>.

³¹ Afghanistan, Argentina, Armenia, Belarus, Bolivia, Cameroon, Côte d'Ivoire, Eritrea, Gambia, Guinea, Malawi, Maldives, Mauritius, Mozambique, Myanmar, Niger, Rwanda, Sri Lanka, Swaziland, Syria, South Africa, and Tanzania. Viewed at: <https://www.toll.no/no/bedrift/import/tollfrihet/gsp/rex-systemet/>.

³² Bangladesh, Benin, Burkina Faso, Cape Verde, Cambodia, Haiti, Indonesia, Kyrgyzstan, Lesotho, Madagascar, Mauritania, Mongolia, Nigeria, Paraguay, Philippines, Samoa, Senegal, Tajikistan, Uganda, Uzbekistan, Vanuatu, and Viet Nam. Norwegian Customs online information. Viewed at: <https://www.toll.no/no/bedrift/import/tollfrihet/gsp/rex-systemet/>.

³³ WTO documents G/RO/N/62 and G/RO/N/149.

³⁴ WTO document G/RO/LDC/N/NOR/1.

³⁵ WTO document G/RO/N/82 and G/RO/N/83.

³⁶ WTO document WT/Let/1097.

³⁷ WTO documents WT/L/998 and WT/L/999.

3.1.3.2 Bound rates

3.36. Norway's bound rates have not undergone significant modification since the Uruguay Round, although during the review period there were small reductions in the bound rates for some plurilateral initiatives such as the ITA II and revised lists of pharmaceutical products.³⁸ This has slightly reduced the overall average by about 0.2%, and 100% of tariff lines are bound. The bound rates provide significant tariff protection, for agriculture in particular, where many rates exceed 50% or even 600%, and averages in certain sectors such as meat and dairy are above 300% and cereals above 200% (Table 3.2). Also, importantly, 57% of Norway's agricultural tariffs are bound in both *ad valorem* and specific terms with the provision of "whichever is higher" allowing for very high levels of protection when for example a specific rate is used but its *ad valorem* equivalent (AVE) exceeds the *ad valorem* component, a situation that occurs in a number of cases. It is also noted that the bound rates provide a lot of flexibility as a significant gap, of about 100% or more on average, exists between applied and bound rates in many sectors, i.e. meat, dairy, cereals, coffee, tea, and cocoa.

Table 3.2 Norway's bound tariff summary, 2018

	Number of lines	Simple average (%)	Tariff range (%)	SD ^a	Share of duty-free lines (%)	Share of non- <i>ad valorem</i> tariffs (%)
Total	7,179	30.4	0-630	88.5	46.5	16.1
HS 01-24	1,740	114.6	0-606	149.6	38.7	57.9
HS 25-97	5,439	3.7	0-630	16.2	49.0	2.8
By WTO category						
WTO agricultural products	1,414	143.1	0-630	155.0	22.3	72.5
Animals and products thereof	187	318.3	0-556	141.9	15.0	85.0
Dairy products	37	326.2	223-453	80.4	0.0	100.0
Fruit, vegetables, and plants	464	107.1	0-606	113.4	11.9	84.3
Coffee, tea, and cocoa and cocoa preparations	30	104.2	0-474	189.5	43.3	46.7
Cereals and preparations	181	211.9	0-549	166.6	9.4	87.3
Oils seeds, fats, oil and their products	183	90.7	0-363	104.9	27.3	56.8
Sugars and confectionary	39	55.3	0-369	82.3	20.5	79.5
Beverages, spirits and tobacco	83	74.9	0-424	142.3	53.0	47.0
Cotton	5	0.0	0.0	0.0	100.0	0.0
Other agricultural products, n.e.s.	205	67.9	0-630	119.0	46.3	44.9
WTO non-agricultural products	5,765	3.1	0-344	9.2	52.5	2.3
Fish and fishery products	414	4.4	0-344	31.5	96.6	2.7
Minerals and metals	1,043	0.9	0-12	1.8	78.0	1.9
Chemicals and photographic supplies	1,128	3.2	0-7.9	3.1	48.1	0.2
Wood, pulp, paper and furniture	425	0.2	0-5	0.9	82.8	12.7
Textiles	649	7.1	0-13.7	4.7	16.0	4.5
Clothing	261	10.8	0.4-13.7	2.7	0.0	0.4
Leather, rubber, footwear and travel goods	193	2.8	0-10	3.9	53.4	8.3
Non-electric machinery	664	2.4	0-6	1.9	36.0	0.0
Electric machinery	307	2.0	0-14	2.9	51.1	0.0
Transport equipment	200	3.6	0-10	3.0	32.5	0.0
Non-agricultural products, n.e.s.	445	1.9	0-10	2.1	47.4	0.0
Petroleum	36	0.0	0.0	0.0	100.0	0.0

a Standard deviation.

b International Standard Industrial Classification (Rev.2). Electricity, gas and water are excluded (1 tariff line).

Note: Calculations for averages are based on the national tariff line level (8-digit), excluding in-quota rates. Tariff schedule is based on HS2017. *Ad valorem* equivalents (AVEs) were provided by the authorities. In case of unavailability, the *ad valorem* part is used for mixed rates.

Source: WTO Secretariat calculations based on tariff information provided by the authorities and the WTO IDB database.

³⁸ WTO documents WT/Let/1268 and WT/Let/1181.

3.1.3.3 Applied rates

3.37. About 85% of tariff lines are duty free and the lines subject to tariffs are in only a few sectors, i.e. agriculture, textiles and clothing, and a few fish product tariff lines. However, among the 15% of lines with tariffs, many have very high rates. Non-*ad valorem* rates of duty are also highly prevalent, accounting for about 10% of all tariff lines or about 50% of agricultural product lines. In terms of customs revenue, most of the revenue is from agricultural products, i.e. over two thirds, and about one third on industrial products. Most agricultural product revenue is generated from imports from the European Union while most of the revenues on industrial products, i.e. textiles, are from developing countries.³⁹

3.38. During the review period, the simple average tariff rate decreased slightly from 7.5% to 6.9%, due to lower rates in agriculture while the average rate in the industrial sector remained unchanged at 0.5% (Table 3.3). This is partially due to 114 agricultural tariff lines being autonomously liberalized during the period. The applied rates given in the customs tariff for agricultural products can be considered as ceilings because many of the published rates are not applied in practice due to the many duty reductions (see Section 3.1.3.5).⁴⁰

3.39. Furthermore, in the areas where tariffs are applied, the rates vary considerably: for agricultural products, even though over two fifths of lines are duty free, the simple average is 37.1% and the standard deviation 76% (Table 3.4). In addition, tariffs of over 100% are not unusual in many agriculture sub-sectors i.e. meat, dairy, fruits and vegetables, cereals, beverages and oilseeds, and other agricultural products. Certain sectors such as meat and dairy also stand out for their very high tariff averages for the sector, i.e. 101% and 105% respectively. The cereals and fruit and vegetable sectors have relatively high averages as well of 43% and 32% respectively (Chart 3.1). The products with the highest tariffs are those that are produced in Norway, whereas those not produced in Norway are often duty-free, i.e. bananas, citrus fruits, and coffee (see also Section 4.1).⁴¹

3.40. As of 1 January 2013, Norway switched from specific to *ad valorem* duties on a number of agricultural products, in particular two tariff lines for cheeses, and four tariff lines for boneless beef and lamb meat.⁴² *Ad valorem* duties were put in place to strengthen the protection that had been gradually eroded in order to support local food production.⁴³ As part of the same initiative, Norway also introduced a new tariff quota of 500 tonnes on beef steaks from GSP developing countries to ensure the continuation of beef imports with GSP preference.

3.41. Also, in 2013, Norway harmonized a number of textile and clothing tariffs, thus autonomously reducing the rates on approximately 90 tariff lines.⁴⁴ This measure reduced the highest tariffs on textiles from 13.7% to 10.7%, and gave uniform tariffs to similar products while simplifying the tariff structure. The products concerned mainly baby clothes, blankets, bed linens, gloves, scarves, ties, shawls, curtains, towels, and sport clothing.

3.42. In 2015, Norway autonomously reduced tariffs for 114 tariff lines (HS 8-digit) to zero. The tariffs involved were low or considered nuisance tariffs, i.e. below Nkr 1 per kg, and provided only negligible tariff protection. The change was made to reduce bureaucracy and administrative costs.⁴⁵

³⁹ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls0-20152016/id2455933/sec2#KAP10>.

⁴⁰ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls0-20162017/id2514108/sec2#KAP11>.

⁴¹ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls0-20162017/id2514108/sec2#KAP11>.

⁴² Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/aktuelt/changes-to-border-protection-for-selecte/id701321/>.

⁴³ Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/aktuelt/changes-to-border-protection-for-selecte/id701321/>; Norwegian Agricultural Agency online information. Viewed at: <https://www.landbruksdirektoratet.no/no/internasjonalt-handel/import/tollkvoter/publikasjoner/importvernet-for-ost>.

⁴⁴ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop-1-ls-20122013/id702583/sec27>.

⁴⁵ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/Prop-1-Ls-2014--2015/id2005476/sec33> and National Budget online information. Viewed at: http://www.statsbudsjettet.no/upload/Statsbudsjett_2015/dokumenter/pdf/skatt.pdf.

Table 3.3 Tariff structure of Norway, 2012 and 2018

(% , unless otherwise indicated)

		2012 ^a	2018 ^b	Final bound ^b
1.	Bound tariff lines (% of all tariff lines)	100.0	100.0	100.0
2.	Simple average tariff rate	7.5	6.9	30.4
	Agricultural products (WTO definition)	40.9	37.1	143.1
	Non-agricultural products (WTO definition)	0.5	0.5	3.1
	Agriculture, hunting, forestry and fishing (ISIC 1)	28.2	24.4	73.8
	Mining and quarrying (ISIC 2)	0.0	0.0	0.1
	Manufacturing (ISIC 3)	5.8	5.2	26.3
3.	Duty-free tariff lines (% of all tariff lines)	83.5	85.2	46.5
4.	Simple average rate of dutiable lines only	54.7	55.7	57.1
5.	Tariff quotas (% of all tariff lines)	0.4	1.0	1.0
6.	Non- <i>ad valorem</i> tariffs (% of all tariff lines)	11.4	9.7	16.1
7.	Non- <i>ad valorem</i> tariffs with no AVEs (% of all tariff lines)	3.1	2.8	3.3
8.	Domestic tariff peaks (% of all tariff lines) ^c	5.9	5.9	9.7
9.	International tariff peaks (% of all tariff lines) ^d	6.6	6.4	11.3
10.	Overall standard deviation of applied rates	35.0	34.7	88.5
11.	Nuisance applied rates (% of all tariff lines) ^e	1.1	0.2	5.7

a The 2012 tariff is based on HS2012 nomenclature, consisting of 7,207 tariff lines (8-digit).

AVEs were estimated based on Norway's 2010 import data (8-digit).

b The 2018 tariff is based on HS2017 nomenclature, consisting of 7,179 tariff lines (8-digit).

AVEs were provided by the authorities.

In case of unavailability, the *ad valorem* part is used for mixed rates.

c Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.

d International tariff peaks are defined as those exceeding 15%.

e Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: All tariff calculations exclude in-quota lines.

Source: WTO Secretariat calculations based on tariff information provided by the authorities and the WTO IDB database.

Table 3.4 Norway's applied MFN tariff summary, 2018

	Number of lines	Simple average (%)	Tariff range (%)	SD ^a	Share of duty-free lines (%)	Share of non- <i>ad valorem</i> tariffs (%)
Total	7,179	6.9	0-555	34.7	85.2	9.7
HS 01-24	1,740	28.6	0-555	66.9	54.9	39.0
HS 25-97	5,439	0.7	0-495	10.0	94.9	0.3
By WTO category						
WTO agricultural products	1,414	37.1	0-555	75.7	43.8	48.5
Animals and products thereof	187	101.4	0-555	126.0	16.0	78.6
Dairy products	37	104.5	18.5-443	129.6	0.0	83.8
Fruit, vegetables, and plants	464	31.6	0-281.7	57.1	49.6	40.3
Coffee, tea, and cocoa and cocoa preparations	30	10.7	0-77.2	21.2	66.7	33.3
Cereals and preparations	181	43.4	0-464.4	70.6	21.5	72.4
Oils seeds, fats, oil and their products	183	12.8	0-158.4	26.0	43.2	42.1
Sugars and confectionary	39	14.2	0-92.8	25.7	41.0	59.0
Beverages, spirits and tobacco	83	20.5	0-374	57.3	72.3	27.7
Cotton	5	0.0	0.0	0.0	100.0	0.0
Other agricultural products, n.e.s.	205	19.4	0-495	62.7	68.3	27.8
WTO non-agricultural products	5,765	0.5	0-197.2	3.5	95.4	0.2
Fish and fishery products	414	0.8	0-197.2	10.8	98.1	1.9
Minerals and metals	1043	0.0	0.0	0.0	100.0	0.0
Chemicals and photographic supplies	1128	0.0	0.0	0.0	100.0	0.0

	Number of lines	Simple average (%)	Tariff range (%)	SD ^a	Share of duty-free lines (%)	Share of non-ad valorem tariffs (%)
Wood, pulp, paper and furniture	425	0.0	0.0	0.0	100.0	0.0
Textiles	649	0.5	0-10.7	2.2	94.9	0.2
Clothing	261	7.9	0-10.7	3.8	13.8	0.0
Leather, rubber, footwear and travel goods	193	0.0	0.0	0.0	100.0	0.0
Non-electric machinery	664	0.0	0.0	0.0	100.0	0.0
Electric machinery	307	0.0	0.0	0.0	100.0	0.0
Transport equipment	200	0.0	0.0	0.0	100.0	0.0
Non-agricultural products, n.e.s.	445	0.0	0.0	0.0	100.0	0.0
Petroleum	36	0.0	0.0	0.0	100.0	0.0
By ISIC sector^b						
ISIC 1 - Agriculture, hunting and fishing	683	24.4	0-555	72.6	67.6	23.7
ISIC 2 - Mining and quarrying	106	0.0	0.0	0.0	100.0	0.0
ISIC 3 - Manufacturing	6,389	5.2	0-495	27.7	86.9	8.3
By stage of processing						
First stage of processing	1,135	15.3	0-555	57.8	77.7	17.1
Semi-processed products	2,100	0.7	0-119.3	6.7	97.2	2.8
Fully processed products	3,944	7.8	0-495	34.4	81.0	11.2

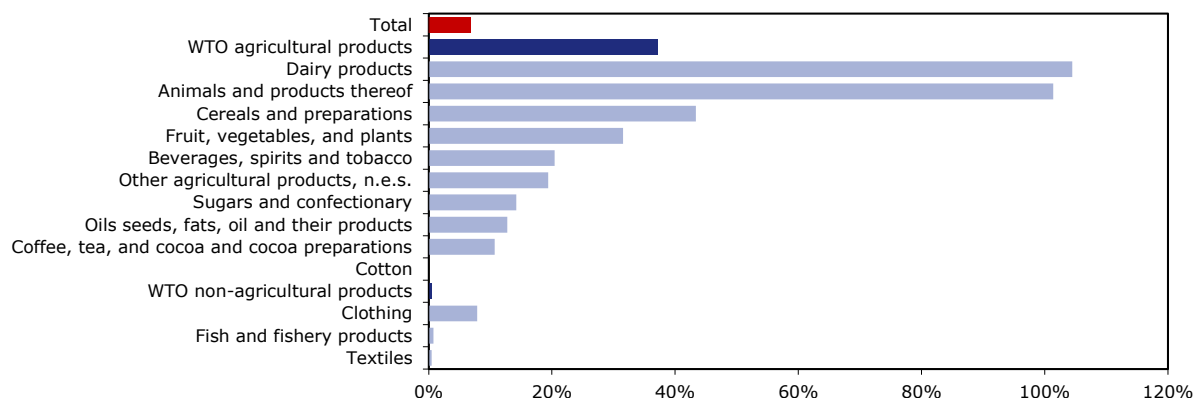
a Standard deviation.

b International Standard Industrial Classification (Rev.2). Electricity, gas and water are excluded (1 tariff line).

Note: Calculations for averages are based on the national tariff line level (8-digit), excluding in-quota rates. Tariff schedule is based on HS2017. AVEs were provided by the authorities. In case of unavailability, the *ad valorem* part is used for mixed rates.

Source: WTO Secretariat calculations based on tariff information provided by the authorities and the WTO IDB database.

Chart 3.1 MFN applied tariff averages by WTO product groups, 2018



Note: Including AVEs for non-ad valorem rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.3.4 Tariff quotas (TQs)

3.43. Norway maintains a number of TQs pursuant to WTO provisions, FTAs, and preference regimes; it can also offer quotas unilaterally on its own accord. The unilateral quotas are either put in place on a yearly basis to supply the domestic market, or the result of political decisions; the yearly quotas are open to all importers. Section 9-4 of the Customs Act provides the general framework for TQs, while several regulations give further guidance on TQs, the main one being Regulation No. 1132 of 10 October 2008 on the Distribution of Tariff Quotas for Agricultural

Products (for WTO and EU quotas).⁴⁶ TQs can provide zero rates of duty or reduced rates of duty. There were about 90 tariff quotas in place in 2016 (Tables 3.5 and 3.6, and Section 4.1) with a few TQs being merged during the review period.

3.44. MFN tariff quotas are administered mainly by auction. Section 9-4 of the Customs Act provides that auctioning is the default method assuming no agreement prevents its use. Other methodologies that can be used are provided for in the regulations, notably first-come, first-served, and by historical import levels. In 2016, NKr 194 million was collected through the auctioning of quotas.⁴⁷

Table 3.5 MFN tariff quotas, 2015 and 2016

HS code	Product	Quota size	Quota imports	Quota fill rates		Auction amount ^b		Total imports
		2016	2016	2016	2015	2016	2015	Tonnes
		Tonnes	Tonnes ^a	%	%	NKr/kg	NKr/kg	
01.06.1910, 02.08.9021	Live reindeer and reindeer meat	-	-	-	-	-	-	100 pieces
02.02	Meat of bovine animals, frozen ^c	1,084	1,071	99	99	50.01	44.97	1,666
02.03.2101	Meat of swine, frozen	1,381	5	-	4	0.01	0.01	13
02.03.1109/ 1209/1909/ 2109/2209/ 2909; 02.08.1000/ 9030/9094/ ex. 9099	Other game meat	250	240	96	72	10.86	8.16	244
02.04.1000/ 2100/2200/ 3000/4100/ 4200/4300/ 5000	Meat of sheep or goats ³	206	164	80	23	14.51	27.81	874
02.07.1200	Chicken meat, frozen	221	69	31	4	0.02	0.50	296
02.07.2500	Turkey meat, frozen	221	-	-	-	0.01	0.01	-
02.07.4200/ 5200/6010	Meat and edible offal of ducks, geese, and guinea fowl	221	152	69	82	0.04	4.51	155
02.08.9046/ 9047/9048	Deer meat ³	200	193	96	99	17.01	42.04	140
02.08.9043/ 9044/9045	Elk meat ³	100	83	83	97	10.70	9.56	74
HS ch. 2 and 16	Meat for fairs	35	8	24	20	-	-	-
HS ch. 2 and 16	Halal meat	30	29	98	89	-	-	-
HS ch. 2 and 16	Kosher meat	15	6	41	-	-	-	-
04.05.1000	Butter	575	366	64	59	3.16	0.77	372
04.07.2100	Eggs from chickens	1,295	409	32	5	0.04	0.01	697
07.04.9013/ 9020	White cabbage	134	88	66	100	0.01	0.01	1,375
07.04.9040	Red cabbage	134	14	10	38	0.01	0.01	366
ex08.08.1011	Apples 01.08–30.11	750	735	98	100	4.05	4.22	8,898

⁴⁶ Regulation No. 1723 of 22 December 2005. Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2005-12-22-1723>; Regulation No. 1424 of 20 December 2012. Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2012-12-20-1424>; Regulation No. 1132 of 10 October 2008. Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2008-10-10-1132?q=tollkvoter>.

⁴⁷ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls0-20172018/id2574326/sec2?q=gsp#KAP11>.

HS code	Product	Quota size	Quota imports	Quota fill rates		Auction amount ^b		Total imports
		2016	2016	2016	2015	2016	2015	Tonnes
		Tonnes	Tonnes ^a	%	%	NKr/kg	NKr/kg	
ex08.08.1011	Apples 01.11–30.11	250	96	38	32	4.07	4.22	3,407
ex08.08.1011	Apples 01.05–31.07	7,000	6,271	90	84	0.51	0.40	14,236
08.08.3020	Pears	250	250	100	100	3.97	3.97	5,122
08.11.1000	Strawberry preserves	1,700	1,698	100	99	-	-	5 100
ex. 08.11.2019, 08.11.2091	Raspberry preserves	750	745	99	100	-	-	2,510
07.13.1001, 10.01.9900, 10.02.9000, 10.03.9000, 10.04.9000, 10.05.9010, 10.07.9010, 11.03.1310, 12.14.1000, 15.20.0010, 17.03.1010/9010, 23.02.1010/3000/4090, 23.03.2010	Commodities	205,000	202,799	99	97	0.01	0.01	-
10.01.1900/9900, 10.02.9000, 10.08.4000/5000/6000/9000	Feed grains	162,000	156,183	96	97	0.01	0.01	-
12.01.9010, 12.05.1010/9010	Oilseeds	10,000	7,518	75	28	0.01	0.01	-
12.14.9091	Hay (outside EU)	500	-	-	-	-	0.01	-
16.02.3101	Turkey roll	20	15	75	21	0.33	0.28	15
ex16.02.5009	Corned beef	200	60	30	25	0.03	0.01	123

- No allocation by auction.

a Generally provided in tonnes, but live animals are in pieces and plants in value (NKr million).

b Not distributed by auction.

c Calculated with bone in meat.

Source: Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls0-20172018/id2574326/sec31?q=gsp>.

3.45. Norway maintains 29 MFN quotas open to all importers, most of these pursuant to WTO commitments (Table 3.4). Many of the quotas have high fill rates, i.e. beef, deer and elk meat, pears, and fruit preserves; but others such as eggs, chicken meat, red cabbage, and pork are underutilized. According to the authorities, utilization rates typically vary due to domestic production and demand. There have not been many significant changes to the MFN quotas during the review period except for the quotas pertaining to deer and other wild game, elk, and wild bird game. In 2013, the Regulations on the Distribution of Tariff Quotas for Agricultural Products were amended to change the product mix under these categories and increase certain quota amounts. The new categories of deer, elk, and other wild game were created with an increase in the quota amount for deer. At the same time, Chapter IV of the regulation was repealed as it pertained to direct quotas allocated to a few processors of game meat, thereby also making them available to all registered companies through auction.⁴⁸ During the review period, unilateral nationally

⁴⁸ Regulation No. 1100 of 16 November 2012. Lovdata online information. Viewed at: <https://lovdata.no/dokument/LTI/forskrift/2012-11-16-1100>.

determined quotas were in place for halal meat, kosher meat, grains, oilseeds, commodities, and fruit preserves.⁴⁹

3.46. Preferential tariff quotas are determined by the applicable regime, i.e. the EEA, FTA or GSP agreements. Norway had about 60 preferential quota categories in place in 2016, about two thirds of which pertained to the European Union, the main source for most of Norway's agricultural imports (Table 3.6). Most quotas have high fill rates, but a few have no imports, i.e. Egypt, Canada, and Ukraine, which again can be attributed to domestic production and demand. A few new or expanded quotas, e.g. GSP beef and molasses and EFTA quotas on cheese and meat, have been put in place or amended since the last Review due to revision of the EFTA treaty and to improve access under GSP. A number of quota volumes, in particular for the European Union, have been increased due to the conclusion of new negotiations under the EEA in 2010 (implemented in 2012) and in 2017 (expected to be implemented in 2019). The latest negotiations are expected to include one new quota and increases in quota volumes for several existing quotas.

Table 3.6 Preferential tariff quotas, 2015 and 2016

Agreement	HS code	Product	Quota size	Quota imports	Quota fill rates		Auction amount ^b		Total imports
			2016	2016	2016	2015	2016	2015	Tonnes
			Tonnes	Tonnes ^a	%	%	NKr/kg	NKr/kg	
European Union	02.01.1000/2001/2002/2003/2004; 02.02.1000/2001/2002/2003/2004	Beef	900	900	100	98	20.50	23.00	16,636
	02.03.1101/2101	Meat of swine	600	598	100	99	5.55	3.41	603
	02.06.4100	Pig livers, frozen	350	-	-	36	0.01	0.01	-
	02.07.1100/1200/2400/2500	Meat and edible offal of chicken or turkey	800	629	79	73	3.12	3.00	704
	02.07.4401	Meat and edible offal of duck	100	12	12	21	0.01	0.32	14
	02.10.1101	Ham or pork	400	399	100	100	28.60	10.16	426
	04.06	Cheese, total	7,200	7,199	100	99	-	-	11,261
		Historic	4,500	4,497	100	99	-	-	-
		Auction	2,700	2,702	100	100	25.56	25.52	-
	04.07.1100/2100/9000	Eggs	290	249	86	48	2.01	0.02	859
	05.11.9911/9921	Blood powder	350	-	-	99	-	0.01	644
	06.02.1021/1024	Root cuttings of Begonia and Pelargonium	NKr 2 million	NKr 2 million	100	100	-	-	NKr 8.2 million
	06.02.9031	Green potted plants	NKr 4 million	NKr 4 million	100	100	-	-	NKr 6.3 million
	ex06.02.904; 06.02.9044	Flowering potted plants	NKr 8 million	NKr 8 million	100	100	-	-	NKr 59.5 million
	06.02.9091	Grass in rolls	NKr 4 million	NKr 1.9 million	49	4	-	-	NKr 2.2 million
	07.01.9022	New potatoes 01.04 – 14.05	2,500	-	-	10	0.01	0.01	581
	07.05.1112/1122	Iceberg lettuce 01.03 – 30.11	600	95	16	60	0.07	1.16	5,084
	07.05.1112	Iceberg lettuce 01.03 – 31.05	400	321	80	85	0.21	0.27	3,536

⁴⁹ The TQs for halal and kosher meat were put in place in 2015.

Agreement	HS code	Product	Quota size	Quota imports	Quota fill rates		Auction amount ^b		Total imports
			2016	2016	2016	2015	2016	2015	Tonnes
			Tonnes	Tonnes ^a	%	%	NKr/kg	NKr/kg	
	07.12.9011	Potatoes, dried	300	123	41	-	0.01	0.01	146
	ex08.08.1011	Apples 01.05 – 31.07	2,000	1,657	83	98	0.32	0.67	6,170
	08.10.1023/1024	Strawberries	300	276	92	100	5.60	5.52	1,607
	08.11.1000	Strawberry preserves (2,200t)	2,200	2,200	100	95	-	-	4,509
	ex08.11.201; 08.11.2091	Raspberry preserves (950t)	950	943	99	94	-	-	1,849
	ex.08.11.2019; 08.11.2093; 9003; 20.09.8911; 8919; 8993	Black current/cherry concentrate	340	337	99	95	-	-	670
	08.12.1000	Cherries	100	-	-	-	-	-	-
	10.01.1900	Durum wheat for pasta	5,000	1,150	23	-	0,01	0,01	1,362
	10.02.1000	Rye for sowing	1,000	801	80	100	0,01	0,36	823
	10.05.9010	Maize for feed	10,000	9,998	100	100	0.04	0.01	40,519
	11.03.1310	Maize for feed	10,000	9,996	100	100	0.01	0.10	28,633
	12.09.2300	Fescue seed	75	74	99	97	0.02	0.01	
	12.09.2300	Fescue seed for lawn	400	385	96	100	0.02	3.72	
	12.09.2400	Kentucky blue grass seed	50	44	87	100	0.02	5.01	
	12.09.2400	Kentucky blue grass seed for lawn	200	182	91	93	0.06	1.24	
	12.09.2500	Rye grass seed	700	641	92	100	0.01	14.14	671
	12.14.9091	Hay	35,000	10,891	31	35	0.01	0.01	10,963
	16.01.0000	Sausages	400	363	91	88	54.51	50.02	1,268
	16.02.5001	Meat balls	200	138	69	64	2.10	1.00	145
	16.02.4910	Bacon crisp	350	111	32	31	0.01	0.03	110
	20.05.2091	Potatoes, partially processed for snacks	3,000	1,673	56	59	0.01	0.01	1,673
	20.09.7100/7900	Apple concentrate for industrial purposes	3,300	3,299	100	99	3.70	3.03	8,199
	ex20.09.8999	Blueberry concentrate	200	71	35	32	0.01	0.01	339
EFTA	02.10.2000	Dried beef	10	-	1	-	0.01	0.04	-
	04.06	Cheese	200	152	76	89	7.06	14.02	149
Iceland	16.01.0000	Sausages	10	-	-	-	0.02	0.10	-
	20.09.7900	Apple juice	400	-	-	-	0.01	0.01	-
	01.01.2100/2902/2908	Icelandic horses	200 pieces	34 pieces	17	23	-	-	51 pieces
Namibia/Botswana	02.04	Lamb	600	547	91	98	-	-	547
	02.01; 02.02	Beef	2,700	2,700	100	100	-	-	3,189
Swaziland	02.01; 02.02	Beef ^c	500	500	100	100	15.80	9.09	3,189
	02.01; 02.02	Beef	500	488	98	100	-	-	500
Botswana, Namibia or Swaziland	02.04.1000/2100/2200/2300/3000/4100/4200/4300	Lamb	400	139	35	40	-	-	139
GSP	02.01.3001; 02.02.3001	Boneless beef	500	-	-	44	-	-	4,211
	04.09.0000	Honey	192	173	90	100	4.11	11.40	888

Agreement	HS code	Product	Quota size	Quota imports	Quota fill rates		Auction amount ^b		Total imports
			2016	2016	2016	2015	2016	2015	Tonnes
			Tonnes	Tonnes ^a	%	%	NKr/kg	NKr/kg	
Egypt	Ex16.02.4100;	Canned ham and tongue	150	-	-	-	0.01	0.01	-
	16.02.5009								
	17.03.1010/	Molasses	40,000	40,000	100	100	0.03	0.01	52,750
	9010								
	20.05.4003/	Canned peas and beans	350	75	21	16	0.01	0.01	81
	4009/ex5901								
Canada/ Ukraine	ex20.05.9908	Canned vegetable mixtures	150	24	16	20	0.01	0.01	890
	07.01.9028	Potatoes	1,310	-	-	-	-	-	-
	07.08.1000	Peas	60	-	-	-	0.01	-	15
	10.01.1900	Durum wheat	10,000	-	-	-	0.01	0.01	-

- No allocation by auction.

a Generally provided in tonnes, but live animals are in pieces and plants in value (Nkr million).

b Not distributed by auction.

c Calculated with bone in meat.

Source: Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls0-20172018/id2574326/sec31?q=gsp>.

3.1.3.5 Duty reductions or suspensions

3.47. Norway has several regimes for the reduction of certain tariff items mostly pertaining to agricultural products. The Customs Act's Section 9-2 provides the general framework for general reductions of tariffs on agricultural products and Section 9-3 for individual requests for tariff reductions in agriculture and processed agricultural products. Section 9-5 provides for any other reduction in tariffs. These provisions are further elaborated in several regulations. The number of general agricultural tariff reductions was between 250 and 350 each year during the review period and remained relatively constant. Individual requests for tariff reductions were far more numerous, about 18,000 in 2012, and increased to about 21,000 in 2017 (Table 3.7).

Table 3.7 Overview of use of tariff reductions, 2012-17

Number

	2012	2013	2014	2015	2016	2017
General tariff reductions (FAT)	298	322	278	258	246	264
Individual tariff reductions – Regulation on Administrative Tariff Reductions for Agricultural Products (FAT)	3,424	3,573	3,985	3,774	3,735	3,811
Individual tariff reductions – Regulation on the Determination of Reduced Rates of Duty on Imports of Processed Agriculture Agricultural Products (RÅK)	15,575	19,742	15,500	15,362	18,673	18,530
Processing abroad	206	232	275	239	231	245
Domestic processing	16	38	18	19	49	60

Source: Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls0-20172018/id2574326/sec31?q=gsp>, <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls0-20162017/id2514108/sec34>, <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls0-20152016/id2455933/sec37#VED3>, <https://www.regjeringen.no/no/dokumenter/Prop-1-LS-2014--2015/id2005476/sec32>, <https://www.regjeringen.no/no/dokumenter/prop-1-ls-20132014/id740943/sec39> and <https://www.regjeringen.no/no/dokumenter/prop-1-ls-20122013/id702583/sec26>.

3.48. The Regulation on Administrative Tariff Reductions for Agricultural Products (FAT) provides the scope for tariff reductions with the overall goal of securing the supply of Norwegian products while also preventing market disturbances.⁵⁰ It has three types of reductions: general tariff reductions, individual tariff reductions, and specific tariff reductions for certain products,

⁵⁰ Regulation No. 1723 of 22 December 2005. Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2005-12-22-1723>.

i.e. cereals, flours, reindeer, oilseeds, etc. These tariff reductions are implemented as tariff quotas as they are limited. The general tariff reductions are applied to goods in the target price system (Appendix 1), i.e. meat, dairy, fruits and vegetables, and are granted to all importers. Individual tariff reductions are much more varied and apply to every HS chapter for agricultural products. Individual tariff reductions must be applied for by a Norwegian registered company and are generally granted for a specific product for a defined time-period. Although they can be subject to quantity limits, i.e. quotas, they rarely are.

3.49. A similar Regulation, the Determination of Reduced Rates of Duty on Imports of Processed Agricultural Products (RÅK), provides for reduced rates on processed agricultural products if covered in Appendix 1.⁵¹ This regulation covers certain dairy products, processed cereals and flour products, and confectionery and snacks. Duty rates are determined by the product designation in the Annexes, i.e. by tariff classification, whereby either matrix or declaration methods are applied based on the duty regime, i.e. EEA, FTA, GSP, or MFN imports; or a standard fixed rate is used. Whichever the methodology, the duty is based on the raw material content of the finished agricultural product.

3.50. Since 2007, regulations have been in place for special tariff reductions in order to process certain agricultural products abroad.⁵² When re-imported, the goods face a reduced tariff generally based on the proportion of foreign goods incorporated abroad. Different provisions apply for industrially processed agricultural products, and the rules for meat and dairy products require that the business has been awarded a quota at auction. The regulation requires that the exported goods are incorporated in the imported goods and that importation takes place within one year of the exportation of the product. The use of this provision is relatively minimal, averaging about 200 per year during the review period (Table 3.6).

3.51. Section 7-4-1 of the Customs Regulations provides for relief of customs duties for certain textile products⁵³ imported from abroad if the company produces the same textile products in Norway and is registered with the Register Centre (Brønnøysundregisteret).⁵⁴ Duty-free importation must be applied for beforehand to Norwegian Customs with supporting materials.

3.52. Another section of the Customs Regulations covering preferential rules of origin (Section 8-4-50) provides for the reduction or elimination of tariffs on certain horticultural products⁵⁵ from the European Union under special conditions. These are implemented through yearly quotas administered by the customs authorities, pursuant to Article 19 of the EEA Agreement and earlier free trade agreements with the European Union (see also Section 3.1.3.4 on tariff quotas).

3.1.3.6 Preferential tariffs

3.53. Norway has preferential tariffs for imports from certain countries pursuant to its reciprocal or unilateral preferential agreements. The percentage of duty-free lines varies by agreement and ranges from 89% to 100% of total tariff lines (Table 3.8). As also reflected in the MFN tariff profile, significantly greater tariff protection remains in the agricultural sector compared with the non-agricultural sector in preferential agreements. Generally less than 50% of agricultural tariff lines are duty free, except for a few FTAs and a few GSP categories. Nearly all non-agricultural tariff lines are duty free under Norway's preferential regimes.

3.54. Developments during the period include a general overall reduction in the simple average tariff and a slightly higher percentage of duty-free lines for FTA and GSP partners. This reflects the overall reduction in MFN tariffs and the continued implementation of preferential rates under the

⁵¹ Regulation No. 1424 of 20 December 2012. Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2012-12-20-1424>.

⁵² Regulation No. 580 of 1 June 2007. Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2007-06-01-580>.

⁵³ Goods under HS headings: 61.01 to 61.06, 61.10, 61.12, 61.13, 62.01 to 62.06, 62.10, 62.11, 61.05 to 61.09, 61.12, 62.05 to 62.08, 62.10 to 62.12, 61.11, 61.13 to 61.17, 62.09, 62.13 to 62.17.

⁵⁴ Norwegian Customs online information. Viewed at: http://www.toll.no/contentassets/eb096d765fd3460c9415b6a3d158aec1/regulations_to_the_act_on_customs_duties_and_movement_of_goods_april17.pdf.

⁵⁵ Cuttings, unrooted, for horticultural purposes; certain pot plants, in flower; green pot plants; and grass in rolls or plates (lawn).

agreements. For GSP preferential tariffs, a new category of lower middle income countries⁵⁶ was created and they were given improved preferences during the review period. In the event of a change of income category, transitional arrangements apply.

Table 3.8 Tariffs under preferential agreements, 2018

	Total				WTO agriculture		WTO non-agriculture	
	Average (%)	Duty-free lines (%) ^a	Preferential tariff rate (%) ^b		Average (%)	Duty-free lines (%) ^a	Average (%)	Duty-free lines (%) ^a
			duty = zero	duty > zero				
MFN applied duty rates	6.9	85.2	n.a.	n.a.	37.1	43.8	0.5	95.4
Albania	5.7	89.5	4.3	1.7	33.5	46.7	0.0	100.0
Bosnia and Herzegovina	5.5	89.8	4.6	2.0	32.2	48.2	0.0	100.0
Canada	5.7	89.5	4.3	1.8	33.8	46.9	0.0	100.0
Chile	5.6	89.4	4.2	1.8	33.0	46.5	0.1	99.9
Colombia	4.8	90.3	5.1	8.5	28.2	51.1	0.0	99.9
Costa Rica	5.2	89.8	4.5	3.3	30.8	48.3	0.0	99.9
EEA (excluding Switzerland)	5.7	89.3	4.1	1.7	33.2	46.0	0.1	99.9
EEC	5.2	90.0	4.8	2.1	30.6	49.7	0.1	99.9
EFTA	5.6	89.3	4.1	2.0	33.2	45.8	0.0	100.0
Egypt	5.6	89.4	4.2	2.1	32.5	46.7	0.1	99.9
Faroe Islands	6.4	89.0	3.8	0.1	36.8	44.4	0.0	100.0
GCC	5.8	89.4	4.1	1.5	34.0	46.3	0.0	99.9
Georgia	5.3	90.2	4.9	2.5	31.2	50.1	0.0	100.0
Greenland	5.4	89.7	4.4	2.6	31.7	47.6	0.0	100.0
Hong Kong, China	5.8	89.3	4.1	1.5	34.1	46.0	0.0	99.9
Israel	5.6	89.4	4.2	2.7	33.0	46.5	0.1	99.9
Jordan	5.7	89.3	4.1	2.2	33.4	45.9	0.1	99.9
Korea, Republic of	5.7	89.5	4.3	2.0	33.5	47.1	0.0	99.9
Lebanon	5.7	89.3	4.0	1.6	33.2	45.8	0.1	99.9
Mexico	6.4	89.2	3.9	0.6	36.4	45.3	0.1	99.9
Montenegro	5.8	89.3	4.1	1.7	34.0	45.8	0.0	100.0
Morocco	5.6	89.5	4.2	3.5	32.9	46.8	0.1	99.9
Palestinian Authority	5.6	89.3	4.1	2.3	33.0	46.2	0.1	99.9
Panama	5.2	89.8	4.6	3.5	30.7	48.4	0.0	99.9
Peru	4.8	90.3	5.1	8.6	28.0	51.1	0.0	100.0
SACU	4.6	90.5	5.2	8.7	26.9	51.9	0.0	99.9
Serbia	5.7	89.5	4.2	2.2	33.5	46.6	0.0	100.0
Singapore	5.6	89.5	4.3	1.6	33.0	46.9	0.0	100.0
The former Yugoslav Republic of Macedonia	5.6	89.3	4.1	2.7	32.9	46.2	0.1	99.9
Tunisia	5.6	89.4	4.2	3.7	32.6	46.5	0.1	99.9
Turkey	5.8	89.4	4.2	2.7	33.8	46.4	0.1	99.9
Ukraine	5.7	89.6	4.4	2.8	33.4	47.2	0.0	100.0
GSP	5.0	89.3	4.1	8.7	28.8	50.1	0.1	99.0
GSP+	4.7	90.6	5.3	8.2	27.6	52.8	0.1	99.8
LDC	0	100	14.8	0	0	100	0	100

n.a. Not applicable.

a Duty-free lines (MFN and preferential tariff rate = zero) as a percentage of total tariff lines.

b % of total number of lines. Only rates that are lower than the corresponding MFN rate (excluding MFN rate = duty free) are taken into account. In the case of different type of duties applied to tariff lines between MFN and preferential rates, these preferential tariff lines are treated as "reduced preferential rates" (duty > zero).

Note: Calculations for averages include AVEs which were provided by the authorities. 0.0 refers to >0 and <0.05; 100.0 refers to >99.55 and <100.

Source: WTO Secretariat calculations based on tariff information provided by the authorities and the WTO IDB database.

3.1.4 Other charges affecting imports

3.55. Norway has a number of other charges on imports; these include VAT, excise taxes and the agricultural research levy. In the state budget for 2018, the preliminary estimate for 2017 tax

⁵⁶ With a population of less than 75 million inhabitants.

revenue is available. In this estimate, VAT amounts to 22% and excise 8% of the total tax revenue.⁵⁷ Norway's VAT is a tax on consumption as it taxes the final supply in a supply chain. There are some exemptions and reductions from the standard VAT rate of 25%, for example food products, public services, and exports. The excise tax system is mainly devised to act as a disincentive for tax products deemed less healthy or harmful to the environment, e.g. alcohol and tobacco; while other categories, i.e. the document fee and motor vehicle registration are aimed at generating government revenues.⁵⁸ The collection of both excise and VAT goes to the general budget and is not earmarked for special purposes. Each year the Storting determines the rates and exemptions for the VAT and excise taxes pursuant to Section 75 of the Constitution.⁵⁹

3.56. Norway also has other fees in respect of services rendered i.e. to clear customs outside of normal operating hours, for certain licences, and for the inspection and control of agricultural products.

3.1.4.1 VAT

3.57. VAT charged on imports into Norway is valued on a c.i.f. basis and payable on the customs value plus customs duties and any other charges. The rules are provided for in the VAT Act of 2009, and the VAT Regulations, and the rates are adopted by the parliament (Storting) for each year and included in its annual resolution on the budget. The rates have been maintained at nearly the same levels since 2012, with the exception that the rate for passenger transport, cinema tickets, and room rentals⁶⁰ increased to 12% in 2018, and certain exemptions have also changed⁶¹ (Table 3.9). In 2016, the responsibility for VAT on import of goods (and excise) duties was transferred from the Customs Administration to the Tax Administration. As regards VAT, this entered into force on 1 January 2017.

3.58. The main changes to the VAT Act during the period concern procedural aspects and modifications due to changes in other laws. Changes introduced in 2014 were to align the terminology to that used in the Fisheries Act, thus the reduced rate category of "raw fish" has been expanded to cover "wildlife marine resources". Also, in a related change, the increase in the threshold on private duty-free imports (see Section 3.1.1) has had a consequential impact, as these products are also exempt from VAT.⁶² In 2016, changes were introduced to give the same exemptions to electronic news services as had been previously given to news in print form so as to keep in step with technological developments. This exemption applies only if certain conditions are met. The scheme is not limited to news in the Norwegian language and there are no requirements regarding national ownership.⁶³

3.59. Prior to 2016, during the importation of goods, it was the person making the customs declaration that was responsible for paying the VAT to the Customs authorities. Procedural and organizational changes that entered into force in January 2017 have now rationalized the process and VAT-registered importers no longer declare, calculate, nor pay the VAT to Customs upon importation. Rather, VAT-registered importers declare and pay the import VAT as part of the ordinary VAT assessment. This change is expected to increase liquidity for foreign-based Norwegian-registered companies. For non-registered importers, the procedure remains as before

⁵⁷ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls0-20172018/id2574326/sec1>.

⁵⁸ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls0-20162017/id2514108/sec2#KAP9-4>.

⁵⁹ Lovdata online information. Viewed at: <https://lovdata.no/dokument/NL/lov/1970-06-26-74> and <https://lovdata.no/dokument/STV/forskrift/2016-12-17-1673>.

⁶⁰ Passenger transport, accommodation, public broadcasting and entry to cinemas, sports events, amusement parks and experience centres.

⁶¹ The Norwegian Tax Administration online information. Viewed at: <http://www.skatteetaten.no/en/Rates/Value-added-tax/>.

⁶² VAT Act Article 7-2 with reference to Customs Act Article 5-9, see Lovdata online information. Viewed at: <https://lovdata.no/dokument/LTI/forskrift/2014-12-22-1915>.

⁶³ The details for this exemption are provided in VAT Regulation Article 6-2, see Lovdata online information. Viewed at: https://lovdata.no/dokument/SF/forskrift/2009-12-15-1540#KAPITTEL_6 and <http://www.skatteetaten.no/no/Radgiver/Rettskilder/Uttalelser/Prinsipputtalelser/meirverdiavgiftslova--6-2---fritak-for-elektroniske-nyhetstenester--skattedirektoratets-felleskriv-til-skattekontorene-av-26.-februar-2016/> and notification to the EFTA surveillance authority. Viewed at: <https://www.regjeringen.no/contentassets/95cf7028fac3455d859305d0d72399f2/14-4781-notifikasjon-01-12-2015.pdf>.

with the VAT declared and paid to Norwegian Customs. As regards services acquired from suppliers established outside Norway, businesses and public bodies established in Norway are required to declare these acquisitions and pay VAT on them. VAT-registered businesses include this information in the ordinary VAT return, while non-VAT registered entities must make the declaration to the tax administration in a separate form.

Table 3.9 VAT rates and exemptions, 2018

Products/sector	Rate
Standard rate: For goods and services not covered by other rates	25%
Reduced rate: Food products	15%
Passenger transport, cinema tickets, room rentals ^a	12%
Wildlife marine resources	11.11%
Specific rates/rules: Electronic services supplied from abroad to private individuals in Norway (VOES), simplified registration scheme: provision and hosting of websites, remote maintenance of software and hardware; software and updating of software; provision of images, texts and information and access to databases; provision of music, video, games, broadcasting and political, cultural, sporting, scientific and entertainment events and occasions; provision of remote teaching; and other services	25%
Purchases of services from abroad, Svalbard, and Jan Mayen B2B (business to business)	Calculated by the purchaser (reversed charge)
Domestic supply of gold and carbon credits B2B	Calculated by the purchaser (reversed charge)
Exemptions:	
a) General exemptions from VAT: Health services; alternative treatments; social services; educational services; art and culture; sport; exercise of public authority; intra-governmental services; certain financial services; real property; charitable and philanthropic institutions and organizations; non-profit organizations and associations; lottery services; ceremonial services; services as a member of a board; postage stamps, notes and coins; goods used for private purposes; and offsetting emission allowances; public entities	Exempt without right to deduct VAT
b) On domestic sales: Newspapers; periodicals; books; other publications; electric power for use in households in northern Norway; vehicles powered exclusively by electricity; certain vessels; supply and hiring out of aircraft for commercial aviation activities and of military aircraft; oil platforms, pipelines; construction of embassy buildings; international military forces and command units; transfers of undertakings; biological material; and funeral services	Zero-rated
c) Withdrawals: Charitable causes; workplace canteens; primary industries; and exemptions for corresponding supplies	Zero-rated
d) Exports: Export of goods; export of services; goods placed in a bonded warehouse; resale of goods to purchasers outside the VAT area; goods for tourists; retail outlets at airports on departure; retail outlets at airports on arrival; certain transport services; brokering services if performed outside the VAT area; goods and services for certain vessels; goods and services for aircraft in international commercial aviation; goods and services to certain petroleum activities; advertising publications in a foreign language; and warranty repairs	Zero-rated
e) Imports: Temporary imports; re-imported goods; samples; destroyed items; foreign representations and international organizations; vessels and goods for vessels; aircraft and goods for aircraft; oil platforms, pipelines; goods received free of charge; electric power; goods of an educational, scientific or cultural nature; equipment for foreign scientific expeditions; stamps, banknotes, and coins as collectibles; new and used electric vehicles; and goods for maintenance of the F-35 weapon system	Zero-rated

- a Passenger transport, transport of vehicles on ferries or other vehicles on domestic road-connections, accommodation in hotels, etc, public broadcasting and entry to cinemas, access to museums, sports events, amusement parks and experience centres.

Source: VAT Act. The Norwegian Tax Administration online information. Viewed at: <http://www.skatteetaten.no/en/Rates/Value-added-tax/>; and Norwegian Customs online information. Viewed at: <https://www.toll.no/no/bedrift/import/beregning/fritak/>.

3.1.4.2 Excise duties

3.60. Norway has an Excise Act and related regulations that provide the framework for excise duties, together with the Storting's annual decisions on each of the excise duties respectively.⁶⁴ The excise rates are updated annually by the Storting, in line with changes in the consumer price index, so that the tax incidence will remain unchanged. As of 2018, there were 17 categories of excise duties applied mainly on goods, but also on emissions (NOx) and services (commercial flights) (Table 3.10). Some taxes are not charged anymore, i.e. pesticide tax, while the scope or exemptions of some of the other taxes changed over the review period, i.e. electricity tax. In 2018, the excise tax on chocolate and sugar products was raised significantly as part of the Government's public health policy initiatives.

3.61. Excise duties are generally applied equally to domestic and imported products but there are sometimes exceptions, lower rates, or refunds provided to domestic operations or certain sectors. For example, there are refunds on the CO₂ tax on mineral oil for the wood processing and fish meal/oil industries; and also for domestic aviation and fishing in coastal waters.⁶⁵ Domestic freight and passenger transport is also subject to certain exemptions.⁶⁶ When goods are imported, the obligation to pay excise duties arises at the time of importation for non-registered importers, whereas for registered importers (and producers) the obligation arises when the goods are removed from the company's approved premises.⁶⁷

Table 3.10 Products subject to excise duties and rates, 2018

Products	Rates	Exemptions
Alcoholic beverages: Liquor-based beverages containing more than 0.7% by volume of alcohol Alcoholic beverages over 0.7% up to and including 2.7% by volume Alcoholic beverages over 2.7% and up to and including 3.7% by volume Alcoholic beverages over 3.7% and up to and including 4.7% by volume Alcoholic beverages over 4.7% and up to and including 22% by volume	NKr 7.58 per % by volume and litre NKr 3.39 per litre NKr 12.74 per litre NKr 22.07 per litre NKr 4.94 per % by volume and litre	Exemption for technical, scientific or medical purposes
Non-alcoholic beverages: With added sugar or artificial sweeteners and syrup with added sugar or artificial sweeteners used in the production of non-alcoholic beverages for sale, in dispensers and similar Prepared products Concentrate (syrup) Juice and syrup based on fruit, berries or vegetables without added sugar Concentrate (syrup based on fruit, berries or vegetables) without added sugar	 4.75 per litre 28.91 per litre 1.70 per litre 10.32 per litre	Exemption if used as part of another product
Beverage packing: Environmental tax — Glass and metal Plastic Cardboard Basic tax — On single-use packaging	 NKr 5.79 per unit NKr 3.50 per unit NKr 1.43 per unit NKr 1.19 per unit	Packaging covered by an approved return scheme is subject to a lower environmental tax rate depending on the return percentage. Exemptions from the environmental tax for packaging used for beverages in powder form and breast milk substitutes. Basic tax is not levied on single-use packaging for: milk and milk products, beverages made from cocoa and chocolate and concentrates thereof, products in powder form, cereal- and soya-based milk substitute products, and breast milk substitutes.

⁶⁴ Lovdata online information. Viewed at: <https://lovdata.no/dokument/NL/lov/1933-05-19-11> and <https://lovdata.no/dokument/SF/forskrift/2001-12-11-1451>.

⁶⁵ Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2001-12-11-1451>.

⁶⁶ Lovdata online information. Viewed at: <https://lovdata.no/dokument/STV/forskrift/2016-12-17-1673>.

⁶⁷ Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2001-12-11-1451>.

Products	Rates	Exemptions
Tax on electric power, 3 tax brackets: 1. residential bracket; 2. industrial bracket, for wide range of industries, manufacturing, trade etc.; 3. zero bracket, for power used as input in chemical reduction and electrolytic, metallurgical and mineralogical processes; the greenhouse industry; propulsion of rail-borne transport vehicles	1. Nkr 0.1658 per kWh; 2. Nkr 0.0048 per kWh; 3. Nkr 0.00 per kWh	Exemptions apply for households and public administration in Finnmark and Nord-Troms.
Hydrofluorocarbons (HFC) and perfluorocarbons (PFC)	Nkr 0.4500 per kg	Does not cover the recycling of HFC and PFC.
<u>Mineral products</u> <u>CO₂-tax:</u> Mineral oil, high rate Mineral oil, in domestic aviation For fishing and catching inshore waters Petrol Natural gas LPG Sulphur tax on mineral oil containing more than 0.05% weight of sulphur Base tax on heating oil Mineral oil used in wood-processing Nitrogen oxides (NOx)	Nkr 1.33 per litre Nkr 1.28 per litre Nkr 0.29 per litre Nkr 1.16 per litre Nkr 1.00 per standard cubic metre Nkr 1.50 per kg Øre 13.1 per litre for each 0.10% weight sulphur Nkr 1.63 per litre Nkr 0.20 per litre Nkr 21.94 per kg	CO ₂ tax is not payable on the use of mineral products for aircraft in international service and ships in international service. Biodiesel is exempt from CO ₂ , sulphur and basic tax. Reduced rates apply for certain types of industry.
Chocolate and sugar products	Nkr 36.92 per kg	Exemptions apply to business organizations which have signed the Environmental Agreement on NOx 2018-2025; vessels used for fishing and hunting in remote waters; and direct international shipping.
Sugar	Nkr 7.93 per kg of taxable weight	Exempt if used in making another product.
Lubricating oil	Nkr 2.20 per litre	Exempt if used in making another product.
Technical ethanol and ethanol preparations	Same as for alcoholic beverages	Lubricating oil sold in consumer packaging of less than 0.15 litres.
<u>Tobacco:</u> Cigarettes Cigars and smoking tobacco Chewing tobacco and snuff Cigarette paper and cigarette tubes	Nkr 2.59 per item Nkr 2.59 per gr. of packaging's net weight Nkr 1.05 per gr. of packaging's net weight Nkr 0.0396 per item	Same as for alcoholic beverages.
Trichloroethene (TRI) and tetrachloroethene (PER) 0.1 - 1% 1 - 5% 5 - 10% 10 - 30% 30 - 60% 60 - 100%	Nkr 0.72 per kg (only PER) Nkr 3.62 per kg Nkr 7.23 per kg Nkr 21.69 per kg Nkr 43.37 per kg Nkr 72.29 per kg	Tobacco products imported as travel goods are exempt from tax and labelling obligations.
<u>Road tax on fuel:</u> Petrol: Sulphur-free petrol (under 10ppm sulphur) Low sulphur petrol (under 50ppm sulphur) Other petrol Bioethanol covered by the turnover requirement Diesel: Sulphur-free mineral oil (under 10ppm sulphur)	Nkr 5.17 per litre Nkr 5.21 per litre Nkr 5.21 per litre Nkr 5.17 per litre Nkr 3.75 per litre	The tax is not payable on recycling for own use
		Exemptions apply to duty-free diesel oil for use in tractors, provided the oil is marked; petrol used in work equipment with a two-stroke engine; and boats or snowmobiles in areas without roads are subject to reimbursement.

Products	Rates	Exemptions
Low sulphur mineral oil (under 50ppm sulphur)	NKr 3.81 per litre	
Mineral oil	NKr 3.81 per litre	
Biodiesel covered by the turnover requirement	NKr 3.75 per litre	
LPG	NKr 2.23 per kg	
Motor cars:		
One off registration and scrap deposit	Varies ^a	
Annual weight-based motor vehicle tax	Varies ^b	
Tax on traffic insurance: ^c		
Excise group a	NKr 7.73/7.85	
Excise group b	NKr 9.01/9.15	
Excise group c	NKr 7.73/7.85	
Excise group d	NKr 5.37/5.46	
Excise group e	NKr 1.25/1.27	
Re-registration fee	Varies ^d	
Air passenger tax	NKr 80	Exempt from the air passenger tax are airline employees travelling on business; children under the age of two; and transit and transfer passengers
Document (stamp) tax on real estate transactions	2.5% of sale value	Exemptions apply in the case of transfer of rights to real property between spouses, transfer of real property to spouse in the event of the division of jointly owned property following separation or divorce, transfer of joint residential property following the break-up of a relationship, and inheritance in accordance with the provisions of the Inheritance Act.

a For calculation of the fee, use the calculator here: <https://www.skatteetaten.no/nn/Person/bil-og-andre-kjoretoy/importere/rekn-ut-kva-det-kostar/kalkulator-import/>.

b For calculation of the fee, use the calculator here: <http://www.skatteetaten.no/en/person/cars-and-other-vehicles/annual-motor-vehicle-tax/weight-based/>.

c From 2018.

d For calculation of the fee, use the calculator here: <https://www.skatteetaten.no/en/person/cars-and-other-vehicles/eierskifte/re-regisration-fee/>.

Source: The Norwegian Tax Administration online information. Viewed at: <http://www.skatteetaten.no/en/business-and-organisation/duties1> and Lovdata online information. Viewed at: <https://lovdata.no/dokument/STV/forskrift/2016-12-17-1673>.

3.1.4.3 Agricultural research levy

3.62. In addition to VAT and excise, the other main tax applied on imports is the research levy on agricultural products as provided in the Act on the Research Tax on Agricultural Products, No. 74 of 26 June 1970 and its related regulations.⁶⁸ The purpose of the levy is to secure research funds for agricultural products used in commercial food production or feed for animals. This tax is levied on imported or domestically manufactured food and feed products (excluding fish) (Table 3.11). For domestic products, the fee is levied on 0.35% of the taxable base which is the gross invoice amount not including VAT, and the rate is subject to change yearly according to changes in value.⁶⁹ Whereas for imported agricultural commodities, it is levied on 0.35% of the taxable base which is the customs value. For semi-processed and processed food, the levy is 0.25% of the taxable base. The attachment to the regulations lists about 40 food products not subject to the levy.⁷⁰ For shipments of less than Nkr 350, the fee is not applied.

3.63. The monies collected go into the Research Fund for Agricultural Products as overseen by a seven-member board; the Ministry of Agriculture and Food determines how the Fund will be managed. The Fund works with many established Norwegian research institutions and also issues calls for tenders based on the projects it is supporting for a given year. A significant percentage of the funds go to strategic programmes at the research firm Nofima. The rest has been used to fund other long-term national research projects involving the agricultural industry by open invitation for

⁶⁸ Lovdata online information. Viewed at: <https://lovdata.no/dokument/NL/lov/1970-06-26-74> and <https://lovdata.no/dokument/SF/forskrift/2012-12-20-1417>.

⁶⁹ For the period 1 July to 30 June.

⁷⁰ Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2012-12-20-1417>.

applications. In 2017, the Fund generated Nkr 173 million, of which Nkr 55 million came from imported products.⁷¹ Budget estimates for 2018 expected that the levy would raise Nkr 163 million.⁷²

Table 3.11 Agricultural research levy, products and rates, 2016-18

Nkr per l/kg or per cent as indicated

	July 2016-June 2017	July 2017-June 2018
Ducks and geese	0.15	0.14
Eggs	0.07	0.07
Hens	0.15	0.14
Turkey	0.15	0.14
Chicken	0.15	0.14
Honey	0.35%	0.35%
Sheep	0.15	0.14
Lamb	0.15	0.14
Beef	0.15	0.14
Pig	0.15	0.14
Reindeer	0.15	0.14
Deer	0.15	0.14
Grain	0.0095	0.0097
Fruit and vegetables	0.35%	0.35%
Cow milk	0.0188	0.0189
Goat milk	0.0188	0.0189

Source: Norwegian Agriculture Agency online information. Viewed at: <https://www.landbruksdirektoratet.no/no/dokumenter/satser/attachment/66259?ts=15e13e65600>.

3.1.5 Import prohibitions, restrictions, and licensing

3.64. Norway maintains a number of measures that restrict or otherwise prohibit imports. Some of these are subject to licensing or special conditions before importation. Most of the prohibitions or restrictions are long-standing although there have been a number of developments during the review period (Table 3.12). Norway has notified six categories of products subject to import licence in its latest notification to the WTO (agricultural products, alcoholic beverages, medicinal products, firearms and ammunition, explosive substances, and endangered species).⁷³

3.65. In 2015, Norway issued new regulations aimed at preventing the introduction and spread of foreign organisms, i.e. the Regulations relating to alien organisms issued pursuant to the Nature Diversity Act.^{74,75} These new rules came into force on 1 January 2016. The purpose of the Regulations is to prevent the import, release and spread of alien organisms that have or may have adverse impacts on biological or landscape diversity. It includes a general requirement of a permit for the import of organisms, and for the release of alien organisms, however with a number of exceptions. The Regulations also include a prohibition against the import, release and placing on the market of 31 alien organisms, mainly plants, but also live American Lobster (*Homarus americanus*). Several hundred species are subject to exemption (Annex II) and about 70 species are subject to specific authorization to import (Annex III) per a licence. The regulation also imposes a duty of care on persons who may introduce a species so that preventative action or remediation can take place to limit the consequences on the environment. Norway has not implemented the EU Regulation 1143/2014 on invasive alien species.

⁷¹ Agricultural Directorate online information. Viewed at: <https://www.landbruksdirektoratet.no/no/styresrad-utvalg/styrene-for-ffl-og-ja/arsmeldinger/attachment/64221?ts=15ad26aa990&download=true>.

⁷² Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-1-ls-ls-0-20172018/id2574326/sec2?q=gsp#KAP12>.

⁷³ WTO document G/LIC/N/3/NOR/9.

⁷⁴ Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2015-06-19-716> and <https://lovdata.no/dokument/NL/lov/2009-06-19-100>.

⁷⁵ Norway has notified this to the WTO as an SPS measure; see WTO document G/SPS/N/NOR/33.

Table 3.12 Import restrictions, prohibitions or licensing requirements, 2018

Products	Type of measure	Legal basis
Automatic licensing:		
Certain products which might be used as feeding stuff in domestic animal production	Automatic licensing	Regulation No. 556 of 9 June 1995, and Act No. 32 of 6 June 1997 on import and export regulations
Security mechanism and surveillance system for duty- and quota-free import of grains, flour and feed products from LDCs and low-income countries with less than 75 million inhabitants	Automatic licensing	Regulation No. 228 of 7 March 2008 on the security mechanism for imports of agricultural products from developing countries covered by the Generalized System of Preferences for Goods Imported from Developing Countries (GSP)
Drug precursors	Restriction	Medicinal Products Act pursuant to EU Council Regulation (EC) No. 111/2005, Regulation (EU) 2015/1011, and Regulation (EC) No. 111/2005
Controlled substances that deplete the ozone layer	Prohibited unless a permit is obtained	Regulation No. 922 of 1 June 2004, Product Control Regulations
Prohibitions and/or restrictions:		
Laserpointers	Prohibited unless approved by the Norwegian Radiation Protection Authority	Regulation No. 1659 of 16 December 2016 on Radiation Protection and Use of Radiation
E-cigarettes	Prohibited but may apply to the Directorate of Health for exception	Regulation No. 1044 of 13 October 1989 on the Prohibition of New Tobacco and Nicotine Products
E-cigarettes and other novel tobacco or nicotine products, that are not medicines	Prohibited unless approved by the Norwegian Directorate of Health	On-going process incorporating the Tobacco Product Directive (2014/40/EU) into the Norwegian Tobacco Control Act
Alien organisms	Annex I organisms are prohibited and other organisms covered by the regulations require, with some exemptions, a licence	Act No. 100 of 19 June 2009 Relating to the Management of Biological, Geological and Landscape Diversity (Nature Diversity Act); Regulation No. 716 of 19 June 2015
Wastes	Pursuant to EEA and the Basel Convention, there are restrictions on the import and export of wastes. Shipping of wastes to Svalbard is prohibited	Regulation No. 930 of 1 June 2004 on Waste Recycling and Treatment
Chemicals	Pursuant to the REACH Regulation certain restrictions may apply	Regulation No. 516 of 30 May 2008 on Registration, Evaluation, Authorization, and Restriction of Chemicals
Narcotic drugs and psychotropic substances	Imports and exports of covered drugs are prohibited unless authorized by the Norwegian Medicines Agency	Act No. 132 of 4 December 1992 on Medicinal Products; Regulation No. 199 of 14 February 2013 on Drugs
Mackerel, tuna, and swordfish	Import and/or export restrictions dependent on catch document approval	Regulation No. 332 of 20 March 2009 on mackerel, tuna, and swordfish
Toys	Toys may be prohibited if they do not meet the conditions in the regulation on toy safety	Regulation No 1403 of 18 November 2013 on toy safety
Harvested timber	Prohibitions pursuant to the EU Timber Regulations	Regulation No. 406 of 24 April 2015 on trade of timber and wood products originating outside Norway
Hazardous chemicals, toys and products	Prohibitions and restrictions apply	Regulation relating to restrictions on the use of chemicals and other products hazardous to health and the environment (Product Regulation) No. 922 of 1 June 2004, Regulation No. 516 of 30 May 2008 on Registration, Evaluation, Authorization, and Restriction of Chemicals

Products	Type of measure	Legal basis
Explosives, fireworks	Prohibited unless approved by the Directorate for Civil Protection and Emergency Planning	Act No. 20 of 14 June 2002 on the Prevention of Fire, Explosion and Accidents involving Hazardous Substances and the Fire Service's duties in Rescue Operations; Regulation No. 844 of 15 June 2017 on Civil Handling of Explosives Substances, which implements Directive 2014/28/EU of the European Parliament and of the Council of 26 February 2014 on the harmonization of the laws of the Member States relating to the making available on the market and supervision of explosives for civil uses
Restricted explosives precursors	Prohibited from import by members of the general public and enterprises with no professional need for the substances	Regulation No. 588 of 2 June 2015 on the handling of explosives precursors, which implements Regulation (EU) No 98/2013 of 15 January 2013 on the marketing and use of explosives precursors
Endangered animals and plants	Animals and plants listed as endangered by CITES, prohibited (Appendix I-species) and requiring a licence (Appendix II- and III-species)	Act No. 32 of 6 June 1997 on Import and Export Regulations; Regulation No. 1276 of 15 November 2002 for the implementation of the Convention of 3 March 1973 on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
Alcoholic beverages	Commercial imports restricted to licensed importers (licensed wholesalers and producers, and holders of an extended retail or service licence). Exception applies to the state-owned company AS Vinmonopolet	Act No. 27 of 2 June 1989 on the Sale of Alcoholic Beverages, Regulation No. 538 of 8 June 2005 on the Sale of Alcoholic Beverages
Arms and ammunition	Importers of weapons, weapon parts or ammunition need a licence from the Police Authority	Act No. 1 of 9 June 1961 on Weapons and Ammunition; Regulation No. 904 of 25 June 2009 on Firearms, Firearm Components and Ammunition
Medicinal products	All importers need a wholesale import licence issued by the Norwegian Medicines Agency. Pharmaceuticals from countries outside the EEA require prior approval from Norwegian Medicines Agency. Personal imports outside the EEA are prohibited	Act No. 132 of 4 December 1992 on Medicinal Products, Regulation No. 1219 of 21 December 1993, and Regulation No. 1441 of 2 November 2004
Diamonds	Valid certificate required for rough-cut diamonds in accordance with the Kimberly Process	Regulation No. 470 of 24 February 2004 on the certification of rough-cut diamonds implementing the Kimberly Process Certification Scheme
Cultural objects	Imports are prohibited or require licence or consent of authorized institutions in the exporting country	Act No. 50 of 9 June 1978 on Cultural Heritage
Pirated goods that infringe IPRs	All commercial imports that infringe IPRs	Act No. 119 of 21 December 2007 on Customs

Source: WT/TPR/S/269/Rev.1, G/LIC/N/3/NOR/7, laws specified in the table, Norwegian Customs online information. Viewed at: <https://www.toll.no/no/bedrift/import/varer-med-restriksjoner/>, and information provided by the authorities.

3.66. Norway has been a party to the CITES convention since 1974 and has been protecting 35,000⁷⁶ threatened species listed by CITES through a licensing system. It applies the CITES provisions as they pertain to the three appendices. However, it has a number of specific reservations and thus does not apply the trade restrictions of Appendix I to certain species of whales, sharks, and seahorses.⁷⁷ Rather, these species are treated according to Appendix II provisions. Through the Norwegian Environment Agency, Norway requires a permit for the importation, exportation, or re-exportation of the items contained in Norway's CITES appendices.

⁷⁶ Regjeringen online information. Viewed at: <https://www.regjeringen.no/contentassets/902deab2906342dd823906d06ed05db2/en-gb/pdfs/stm201520160014000engpdfs.pdf>.

⁷⁷ CITES online information. Viewed at: <https://www.cites.org/eng/app/reserve.php>.

Norway's provisions for the prohibition or regulated trade of these species are contained in Regulation No. 1276 of 15 November 2002 for the implementation of the Convention of 3 March 1973 on International Trade in Endangered Species of Wild Fauna and Flora (CITES) Foreign Organisms. The regulation is currently under revision (see para. 2.12).

3.67. Other developments during the review period were with respect to e-cigarettes. Since 1989, the production, sale, and importation of e-cigarettes has been prohibited in Norway pursuant to the Regulation on Prohibition of New Tobacco and Nicotine Products. In 2016, the Storting passed new legislation lifting this prohibition, but as of 2017 the ban was still in effect.⁷⁸ It is expected that this prohibition will be lifted in 2018 but registration will be required in line with the EU Tobacco Products Directive 2014/40/EU. The process of including this directive in the EEA Agreement is ongoing. Pursuant to its adoption of the EU Timber Regulation in 2015, Norway now monitors timber imports (see Section 4.1.2.4).

3.68. As of November 2017, Norway was considering introducing a licensing system for the import of tobacco products, in line with the WHO FCTC Protocol on illicit trade. Norway has also started preparations to amend its legislation regarding medical devices to implement new EU Regulations in this area adopted in 2017 (Regulations (EU) No. 2017/745 and 2017/746).

3.69. Pursuant to the Regulation on the security mechanism for imports of agricultural products from developing countries covered by the GSP, Norway has a system of import licensing for certain products under the GSP.⁷⁹ The annex to the regulation lists approximately 80 ex-outs of four-digit tariff lines.

3.70. It would appear that a number of these provisions should also be notified to the WTO under the notification requirement on quantitative restrictions.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.71. Norway's legal framework for trade remedies, i.e. anti-dumping, countervailing, and safeguard measures, remains part of the Customs Act, mainly section 10, but procedural aspects related to investigations are contained in Section 12. While the Act provides for related regulations, there are none in place at this time. Furthermore, there have been no changes during the review period.

3.72. Norway has not initiated any anti-dumping or countervailing duty investigations since the inception of the WTO; nor has it taken any global safeguard measures.⁸⁰ Eight trade remedy investigations against Norway have been conducted since 1995 and five of them resulted in measures being applied.⁸¹ In one case, in 2005, Norway notified the WTO of proposed suspension of concessions pursuant to Article 12.5 of the Agreement on Safeguards in response to measures imposed by the European Union on farmed salmon.⁸² An anti-dumping investigation followed whereby measures were put in place, which Norway subsequently took to a panel in the WTO.

3.73. As regards anti-dumping and countervailing duties, they are not applied between EEA member States as a general rule, i.e. where the EEA Agreement is applicable⁸³; and are also not applied between EFTA States.⁸⁴ In regard to EFTA FTAs, they mainly incorporate or refer to WTO anti-dumping and countervailing duty rules, and in some of the more recent FTAs, the agreement goes further to incorporate provisions relating to consultations, sunset, a prohibition against zeroing, the "lesser duty" rule and other elements. Some FTAs contain a prohibition against taking anti-dumping measures.

⁷⁸ Act of 9 December 2016 on Amendments to the Tobacco Injury Act (Implementation of Directive 2014/40/EU and Standardized Tobacco Packs).

⁷⁹ Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2008-03-07-228>.

⁸⁰ WTO online information. Viewed at: https://www.wto.org/english/tratop_e/adp_e/AD_InitiationsByRepMem.pdf.

⁸¹ WTO online information. Viewed at: https://www.wto.org/english/tratop_e/adp_e/adp_e.htm.

⁸² WTO document G/SG/N/12/NOR/1.

⁸³ For example, fish and fish products are excluded.

⁸⁴ EFTA online information. Viewed at: www.efta.int/media/publications/fact-sheets/EEA-factsheets.

3.74. Many of the EFTA FTAs also have safeguard rules, i.e. for global safeguards and bilateral safeguards. The global safeguard provisions generally reaffirm the rights under the WTO rules and exclude imports of the parties to the agreement when taking such safeguard measures if these imports are not a substantial cause of serious injury or threat thereof. Safeguard measures with the European Union are governed by a 1973 bilateral agreement.⁸⁵

3.75. Pursuant to the outcome of the Uruguay Round on agriculture, Norway has provisions in its WTO schedule for the Special Safeguard mechanism (SSG). The domestic rules for its invocation are contained in the Regulations on increases of ordinary customs duties, safeguard duty, on agricultural products.⁸⁶ The SSG has not been invoked during the review period. Norway also has a security mechanism for agricultural products under the GSP (see Section 2.3.2.4) (Unilateral preferences).

3.76. Norway notified its laws with respect to trade remedies in June 2009 and regularly informs the respective Committees that it has not taken any anti-dumping or countervailing measures during the previous six-month periods.⁸⁷

3.1.7 Other measures affecting imports

3.1.7.1 Sanctions

3.77. Norway imposes sanctions as a result of UN Security Council Resolutions and may impose restrictive measures emanating from regulations adopted by the EU Council. According to the authorities, sanctions are most effective when they have broad, international support, and Norway does therefore not have a tradition for imposing unilateral sanctions. Such a decision would also necessitate passing of a new, separate act (primary legislation). The sanctions take many forms and include prohibitions or restrictions on imports, exports, financial measures, licensing requirements, etc. Norway's legislative framework on sanctions consists mainly of the Act No. 4 of 7 June 1968 for UN resolutions, and Act No. 14 of 27 April 2001 for EU and other similar international measures.⁸⁸ There are also some sanctions, i.e. arms embargoes, implemented through the export control legislation. Sanctions are put in place through the issuance of regulations relating to these laws.

3.78. As of December 2017, Norway had sanctions of various types in place with respect to 27 countries, persons, or areas.⁸⁹ All but one corresponds to a UN Security Council Resolution or EU Council Regulation. One is in place due to measures taken by the Organization for Security and Co-operation in Europe (OSCE). During the review period, Norway implemented all UN sanctions. Some of the additional measures adopted by the UN Security Council on 22 December 2017 have yet to be implemented into national legislation. This will, however, be done shortly after the European Union has revised its corresponding Council regulation. Norway has, throughout 2017, aligned itself with EU restrictive measures.

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.79. Norway's customs procedures for exports are similar to those for imports. Exporters must present a customs declaration upon exportation in order for customs clearance to be granted, but

⁸⁵ Agreement between the European Economic Community and the Kingdom of Norway of 14 May 1973.

⁸⁶ Regulation No. 1448 of 17 December 1998. Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/1998-12-17-1448>.

⁸⁷ WTO document G/ADP/N/1/NOR/4, G/SCM/N/1/NOR/4, G/SG/N/1/NOR/4; and numerous semi-annual notifications pursuant to Art. 16.4 of the Agreement on the Implementation of Article VI of the GATT 1994 and Art. 25.11 of the Agreement on Subsidies and Countervailing Measures (see Table A2.1).

⁸⁸ Act on implementation of binding decision of the United Nations Security Council. Lovdata online information. Viewed at: <https://lovdata.no/dokument/NL/lov/1968-06-07-4>. Act on implementation of international, non-military measures involving the suspension of or restrictions on economic and other relations with third countries or movements. Lovdata online information. Viewed at: <https://lovdata.no/dokument/NL/lov/2001-04-27-14>.

⁸⁹ For the list of sanctions in place, see Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/tema/utenrikssaker/Eksportkontroll/sanksjoner-og-tiltak1/gjeldende-sanksjoner-og-tiltak/id2008495/>.

certain exceptions may apply if, for example, goods do not exceed Nkr 5,000 per shipment. Declarations are done electronically through the TVINN system. Alternatively, the SAD is also acceptable in paper form at a customs office. Section 4 of the Customs Act and the Customs Regulations provide the legal framework for customs clearance of exports. In cases where not all the information is available, a provisional declaration may be made. No particular approvals are required for exports, except for document or physical checks of merchandise that may be performed by Customs and approvals for fish and fish products performed by the Norwegian Seafood Council (see Section 3.2.4).

3.2.2 Taxes, charges, and levies

3.80. There are no taxes or levies on Norwegian exports. However, exporters of seafood must pay a marketing fee used to finance the activities of the Norwegian Seafood Council, i.e. generic marketing of seafood abroad, registration of exporters, export promotion activities, etc. The fee is collected by Customs upon exportation and all proceeds are passed on to the Norwegian Seafood Council (see Section 3.2.4). The fee is *ad valorem*, thus the annual income will vary from one year to the next. This may also result in adjustments to the rates. The three levels of rates primarily reflect differences in the degree of processing of the end product (Table 3.13). The income from the fee was Nkr 543 million in 2016.

Table 3.13 Tax rate on fish and fish products, 2016-17

(Rates in % of f.o.b. value)

HS	Description	2016	2017
03.01 to 03.08, and 16.05	Fish (other than those below), crustaceans, molluscs, and aquatic animals	0.75	0.75
03.01 to 03.05	Salmon, trout, herring, mackerel, capelin, grayling, horse mackerel, haddock, and sprat	0.60	0.30
16.04	Preserved fish	0.00	0.00
05.11.91, 15.04, 15.16.1012, 15.16.1020, 16.03.0020, 23.01.2010 and 23.01.2090	Industrial fish and by-products of fish, fish oil, extract and juice of fish, and fishmeal	0.00	0.00

Source: Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/1991-03-22-157>. Information provided by the authorities.

3.2.3 Export prohibitions, restrictions, and licensing

3.81. Norway's export restrictions, prohibitions, and licensing provisions continue to apply in a number of areas; and most have remained in place for many years without change (Table 3.14). In addition, Norway has licensing requirements or controls on defence and related dual-use goods pursuant to a number of international conventions (see Section 3.2.3.1).

3.82. The Norwegian Customs Service may block exportation (or importation) of counterfeit or pirated goods upon request from the right holders or on its own initiative according to Article 15 of the Customs Duty and Movement of Goods Act. For travellers, exports of cash or cash equivalents in Norwegian or foreign currency exceeding Nkr 25,000 must be declared to the Norwegian Customs Service on departure.⁹⁰ Similarly, as the customs code allows private persons to bring a certain amount of goods with them when they are leaving the country, tourists may take out of the country a certain amount of fish as a result of sports- or leisure-fishing. This fishery is not regulated by total allowable catches and there is a need to curb the uncontrolled outtake by people fishing for leisure. The new limits are a maximum of 10 kg fillets per person for unregistered catches and 20 kg fillets for catches taken at registered sea-angling sites (see Section 4.1.3).

3.83. In 2016, Norway introduced requirements for the exportation of used electrical and electronic equipment pursuant to the EU's Directive 2012/19/EU of 4 July 2012 on waste electrical and electronic equipment (WEEE). These provisions were incorporated into Norway's Waste Regulations.⁹¹ Upon exportation, the exporter must provide: documentation of the testing of all

⁹⁰ The Norwegian Customs Service began more systematic enforcement of this obligation in 2010. The declaration is not subject to fees or charges, but contraventions may result in a fine equal to 30% of the undeclared amount (Customs Duty and Movement of Goods Act, Article 16, paragraph 5).

⁹¹ Regulation No. 930 of 1 June 2004 on Wastes. Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2004-06-01-930/>.

products, testing protocol, contract or invoice showing that the products are suitable for re-use, declaration that the shipment does not contain wastes, transport document, and declaration of responsible person for the shipment.⁹²

Table 3.14 Export prohibitions and restrictions, 2017

Products affected	Type of restriction	Legal basis (date)
Endangered animal and plant species (CITES)	Export prohibition/export licence required from the Norwegian Environment Agency	Act No. 32 of 6 June 1997 on Import and Export Regulations; Regulation No. 1276 of 15 November 2002 for the implementation of the Convention of 3 March 1973 on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
Wastes	A permit is required from the Norwegian Environment Agency	Regulation No. 930 of 1 June 2004 on Wastes
Cultural objects	Export requires consent of the Arts Council Norway	Cultural Heritage Act (1978) and Regulation No. 1 of 1 January 2007 concerning the prohibition of export of cultural objects
Strategic goods and defence materials	Export licences required from the Ministry of Foreign Affairs	Act No. 93 of 18 December 1987 on the export of strategic goods, services and technology; Regulation No. 718 of 19 June 2013 on the export of defence materials, multipurpose goods, technology, and services
Weapons, including firearms and ammunition		Act No. 1 of 9 June 1961 on Weapons and Ammunition; Act No. 93 of 18 December 1987 on the export of strategic goods, services and technology; Regulation No. 904 of 25 June 2009 on firearms, firearm components and ammunition; Regulation No. 718 of 19 June 2013 on the export of defence materials, multipurpose goods, technology, and services
Minke whale products	Export licence required from the Norwegian Environment Agency	Regulations relating to the export of minke whales No. 799 of 29 June 2001
Used electrical and electronic products	Requirements for testing, documentation and packaging	Regulation No. 930 of 1 June 2004 on Wastes
Counterfeit goods	All commercial exports or re-exports are illicit, but subject to civil prosecution	The Customs Act (No. 119 of 1 September 2007) Chapter 15, on detention of goods infringing Intellectual Property Rights (IPR) and pursuant to the relevant IPR legislation (see Table III.12)
Radioactive and nuclear waste	Export licence required from Norwegian Radiation Protection Authority	Waste Regulation No. 930 of 1 June 2004
Pharmaceuticals, precursors, etc.	All exports require licence from the Norwegian Medicines Agency	Medicinal Product Act (No. 132 of 4 December 1992) §12 and §13 and Regulation (No. 1219 of 21 December 1993) regarding wholesaling; and Regulation No. 156 of 12 February 2010 implementing EU regulations (EU) Nos. 273/2004 and 1277/2005 on narcotic precursors
Explosives	Exports of explosive substances, require an export licence from the Directorate for Civil Protection and Emergency Planning	Act No. 20 of 14 June 2002 on the Prevention of Fire, Explosion and Accidents involving Hazardous Substances and the Fire Services' duties in Rescue Operations, and Regulation No. 844 of 15 June 2017 on Civil Handling of Explosives Substances, which implements Directive 2014/28/EU of the European Parliament and of the Council of 26 February 2014 on the harmonization of the laws of the Member States relating to the making available on the market and supervision of explosives for civil uses
Restricted explosive precursors	Export of restricted explosives precursors to members of the general public is prohibited	Regulation No 588 of 2 June 2015 on the handling of explosives precursors

⁹² Norwegian Environment Agency online information. Viewed at: <http://www.miljodirektoratet.no/no/Nyheter/Nyheter/2016/Februar-2016/Strengere-krav-til-eksport-av-brukte-EE-produkter/>.

Products affected	Type of restriction	Legal basis (date)
Snuff	Exportation of snuff is prohibited for all EU countries except Sweden and to a certain degree Denmark; requires export licence from Norwegian Directorate of Health	Act No. 14 of 9 March 1973 on protection against tobacco

Source: WT/TPR/S/269/Rev.1 and Norwegian Customs online information. Viewed at: <https://www.toll.no/no/bedrift/eksport/varer-med-restriksjonar-ved-eksport/>.

3.2.3.1 Export control of defence and related products

3.84. Norway's Export Control Act, the Export Control Regulations, and related Guidelines provide the main rules for the export of defence and related dual-use goods; a licence⁹³ is required from the Ministry of Foreign Affairs in order to export the product or service.⁹⁴ Norway is also guided by the Government's declaration of 1959, the Storting's 1959 Resolution, and the Storting's clarification of 1997, all of which provide guidance on when and how the exportation of defence and related materials can occur. For example, Norway does not allow exportation to countries where there is war or civil war. As a member of the EEA, Norway adopts EU legislation as it pertains to export controls of defence-related products and dual-use products and uses the same criteria and conditions so as to maintain harmonization. Norway is a participant in the Australia Group, Missile Technology Control Group, Nuclear Suppliers Group, Hague Code of Conduct against Ballistic Missile Proliferation, Chemical Weapons Convention, Proliferation Security Initiative, and the Wassenaar Arrangement.⁹⁵

3.85. Norway's Export Control Regulations were amended in 2013, the main reason the being implementation of an EEA-relevant Directive (ICT). The Guidelines concerning the Export of Defence-Related Products were updated in 2014, mainly in order to consolidate all criteria. The lists of defence and related products were also revised regularly during the review period to reflect changes in the underlying agreements, typically at the same time as the European Union updated its lists. Norway became a party to the Arms Trade Treaty (ATT) during the review period, which entered into force for Norway in December 2014.⁹⁶ In 2015, through an exchange of letters, Norway and the European Union embarked on closer cooperation on policies concerning dual-use products and exchange of information on the rejection of export licences.

3.86. The Storting ratified the ATT in February 2014 and it was determined that no new provisions needed to be added to Norwegian law as the export control rules already contained the necessary elements and provisions for the ATT.⁹⁷ Then, in November 2014, the Guidelines concerning the Export of Defence-Related Products were revised to incorporate the most important provisions of the ATT, i.e. Articles 6 and 7, and the eight criteria set out in the EU Code of Conduct for Arms Exports.⁹⁸ These criteria and principles are included in one consolidated list in the Guidelines, which provides more transparency and clarity as to the assessments performed by the Ministry of Foreign Affairs in regard to applications for the export of arms and defence-related items.

3.87. During the review period, there was a slight decline in the export of defence and related goods, although there were fluctuations (Table 3.15). The highest level of exports was in 2012, the

⁹³ Licensing requirements for goods destined for EEA countries are slightly different. They are exported pursuant to a general transfer licence applicable to certain categories of products as announced by the Ministry of Foreign Affairs; a global transfer licence valid for three years for certain categories of products and destinations; or individual transfer licences, applicable if a general or global licence cannot be issued.

⁹⁴ Lovdata online information. Viewed at: <https://lovdata.no/dokument/NL/lov/1987-12-18-93> and <https://lovdata.no/dokument/SF/forskrift/2013-06-19-718>.

⁹⁵ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-5-20172018/id2576728/sec10#KAP9-1>.

⁹⁶ Arms Trade Treaty online information. Viewed at: http://www.thearmstradetreaty.org/images/Status_lists/List_of_ATT_States_Parties_by_order_of_deposit11_December_2017.pdf.

⁹⁷ Prop. 186 S (2012-2013).

⁹⁸ Regjeringen online information. Viewed at: <https://www.regjeringen.no/contentassets/e19e0d2f0fe74437897036c1ddaf45f6/guidelines-for-defence-related-exports.pdf>.

lowest in 2014, and increases occurred in 2015-6 although not to 2012 levels. There was also a significant increase in the category for service, returns from abroad, etc. The number of companies exporting and the number of export licences refused also increased during the period. About 80% of Norway's exports of these goods are to NATO countries with the majority destined for the United States. Other significant export destinations were Canada, France, Germany, Italy, Netherlands, Poland, and Sweden during the period, although their levels varied from year to year. The Ministry of Foreign Affairs rejects the approval of a small number of licences each year (34 in 2016) that fall into a number of predetermined categories that do not allow exportation, i.e. adherence to international obligations (UN sanctions), danger of internal oppression, etc. Norway does not automatically reject export licences based on the country of destination, rather the Ministry treats each application individually.

Table 3.15 Export control of defence materials, 2012-16

(Nkr, unless otherwise indicated)

	2012	2013	2014	2015	2016
Export licences ^a issued (no.)	1,552	1,440	1,301	1,000	1,014
Export licences rejected (no.)	18	19	20	25	34
Companies exporting (no.)	52	54	51	74	93
Exports:					
List A ^b	3,303,896	2,549,498	2,299,856	2,961,448	2,937,504
List B ^c	574,437	750,509	644,066	302,415	647,491
Subtotal A and B	3,878,333	3,300,007	2,943,922	3,263,863	3,584,995
Multipurpose goods for defence end-use	404,437	683,432	196,320	311,582	294,089
Service, returns, etc.	279,368	291,799	475,006	779,668	888,866
Total	4,562,138	4,275,238	3,615,248	4,355,113	4,767,950

a For goods in List A, related services, and return of goods from abroad.

b Weapons, ammunition, and certain types of military equipment.

c Other defence-related goods not covered under List A.

Source: Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-5-20172018/id2576728/sec10#KAP9-1>, <https://www.regjeringen.no/no/dokumenter/meld.-st.-8-20152016/id2459560/sec10>, <https://www.regjeringen.no/no/dokumenter/Meld-St-8-20142015/id2342492/sec10>, <https://www.regjeringen.no/no/dokumenter/meld.-st.-36-20152016/id2503422/sec10>, and <https://www.regjeringen.no/no/dokumenter/meld-st-49-20122013/id737145/sec10>.

3.2.4 Export support and promotion

3.88. Innovation Norway is the Government's main entity for business development, innovation, and export and investment promotion. It has a variety of programmes and services in order to support start-ups, improve opportunities for growth companies, and promote the internationalization of businesses. It is owned by the Ministry of Trade, Industry, and Fisheries (51%) and the county municipalities (49%) and its main role is to support profitable business development. As part of its mandate, Innovation Norway has a number of financing products to support businesses, and it provides a number of loans, grants, or guarantees.⁹⁹

3.89. In terms of support for exports, Innovation Norway mainly provides international advisory services, an international network for Norwegian companies abroad, organization of trade fairs, and information on trade regulations through the Export Centre, i.e. exporter's handbook and similar materials. According to its 2016 Annual Report, Innovation Norway provided more export assistance than in any previous year. Through its domestic offices and 35 offices abroad, it helped more than 850 companies with international market consultancy services, an increase of 25% from the previous year. It also helped over 300 companies participate in international trade fairs. In 2016, a new programme aimed at export growth called "Global Growth" was launched to provide information on expertise, customer contact, and international exposure to groups of companies.¹⁰⁰ Furthermore, Innovation Norway cooperates with the Norwegian Export Credit Guarantee Agency

⁹⁹ These include: company and project financing; start-up grants; research and development contracts; environmental technology scheme; agriculture; seafood and fishing; agricultural tourism programme; reindeer programme; wood-based innovation programme; bioenergy programme; bio refinement programme; investment funds in Russia and Eastern Europe; seed capital; SkatteFUNN; industry-oriented subsidy for the Arctic and Russia.

¹⁰⁰ Innovation Norway online information. Viewed at: http://www.innovasjon Norge.no/en/arsrapport---spa-page-en/#side=en_220532.

(GIEK), Export Credit Norway (Eksportkreditt Norge), and GIEK Kredittforsikring on a number of different projects.

3.90. Pursuant to the Fisheries Export Act, the Norwegian Seafood Council (NSC), a state-owned enterprise under the Ministry of Trade, Industry and Fisheries, provides information and support similar to that of Innovation Norway but particularly for the Norwegian seafood sector.¹⁰¹ It is involved in providing reports and information, maintaining an export registry, conducting marketing activities, and providing market risk management globally. Its main goal is to promote trade and consumption of seafood.¹⁰² NSC's operations are financed by the export fee on fish and fish products (see Section 3.2.2) which amounted to an income of Nkr 543 million in 2016. The level of the fee has recently been reduced, and for 2017 is estimated to be Nkr 400 million.¹⁰³

3.91. The Norwegian Foreign Service also has a role in supporting or promoting exports. Through its more than 100 missions abroad, the Foreign Service coordinates events and promotional activities, provides information on markets and regulations, assists in business outreach, and gives advice on risks and challenges.¹⁰⁴

3.92. As part of its customs regime, Norway has special provisions on temporary exports and drawback in the case of re-exportation. These provisions provide duty relief to the trader pursuant to the rules in the Customs Act and Customs Regulations.

3.93. Regarding export subsidies, Norway continued to provide export subsidies to the agricultural sector during the review period, notably for cheese, butter, meat of swine, and certain processed agricultural products (see also Section 4.1). According to its most recent notification to the WTO in 2017 containing data for the 2016 reporting period, Norway had a total budgetary outlay of Nkr 166.5 million for subsidized exports.¹⁰⁵

3.2.5 Export finance, insurance, and guarantees

3.94. The main source of export financing in Norway when it comes to loans has traditionally been Eksportfinans ASA. Eksportfinans ASA is owned partly by the State (15%) and the remainder, 85%, by 23 banks in Norway. In 2011, the Storting decided to create a state-owned entity for export finance, Export Credit Norway (Eksportkreditt Norge) (see Section 3.2.5.3) for all new officially supported export loans. As a result, Eksportfinans' role after 2011 has been to manage its portfolio of existing loans which is gradually reduced as these loans are repaid.¹⁰⁶ The last officially supported export loan matures in 2029. Eksportfinans had total assets of Nkr 33.2 billion in 2016 and Nkr 18.3 billion in loans outstanding; both of which declined compared to previous years, reflecting its reduction in activity.¹⁰⁷

3.2.5.1 Export credit guarantees

3.95. The Norwegian Export Credit Guarantee Agency's (GIEK) purpose is to contribute to Norwegian exports and investments abroad by issuing guarantees on behalf of the Government. Guarantees secure financing for foreign purchasers of Norwegian products, loans for exporter's production costs, and a variety of other risks. The guarantees cover both political and commercial risks. GIEK is an administrative enterprise meaning GIEK is not its own legal entity, but a part of the Norwegian State. The Ministry of Trade, Industry and Fisheries and the Minister of Trade and Industry is constitutionally responsible for GIEK's guarantee schemes, but the schemes are independently implemented by GIEK. GIEK has two export guarantee schemes and, since

¹⁰¹ Act No. 9 of 27 April 1990.

¹⁰² Norwegian Seafood Council online information. Viewed at: <https://en.seafood.no/about-norwegian-seafood-council/about-us/>.

¹⁰³ Norwegian Seafood Council online information. Viewed at: <https://seafood.azureedge.net/4a1aa6/contentassets/3137e23e3ff04c2a832744bdea9da051/arsmelding-2016.pdf>.

¹⁰⁴ Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/topics/foreign-affairs/business-cooperation-abroad/innsikt/promotion-business-interests/id2076766/>.

¹⁰⁵ WTO document G/AG/N/NOR/95.

¹⁰⁶ Eksportfinans online information. Viewed at: <https://www.eksportfinans.no/news-archive/staten-overtar/?ln=uk>.

¹⁰⁷ Eksportfinans online information. Viewed at: <https://www.eksportfinans.com/media/132880/eksportfinans-annual-report-2016.pdf>.

January 2018, there are also three domestic guarantee schemes, one for energy and two within the maritime sector.¹⁰⁸ Each guarantee scheme is subject to a maximum exposure limit, a defined purpose, and specific regulations. GIEK issued its first guarantees under the power purchase guarantee scheme in October 2017. In 2016, GIEK contributed to export contracts worth Nkr 30.5 billion.¹⁰⁹

3.96. GIEK mainly guarantees the export of goods and services from Norway or when a transaction promotes Norwegian value creation. Although it supplements the banking and finance sector, GIEK is a major player in certain markets, and it guarantees most of Export Credit Norway's loans. There are many products that GIEK offers, but buyer credit guarantees are the most prevalent; the others being letter of credit guarantee, building loan guarantee, bond guarantee, supplier credit guarantee, contract guarantee, investment guarantee, power purchase guarantee, and tender guarantee. All of these serve to reduce risks to either the buyer, the exporter, or the financial institutions. In 2017, GIEK launched a new product, the production loan guarantee, that finances the production costs related to a specific export contract.¹¹⁰ Furthermore, in 2017, a new buyer credit guarantee for export-related investments in Norway was also launched. In January 2018, a new ship guarantee scheme was implemented, offering buyer credit guarantees for Norwegian buyers' purchases from Norwegian shipyards when the vessels are to be used in Norway.

3.97. The majority of GIEK's outstanding guarantee liabilities are in the oil and gas sector, about 85%. The sector has seen a decline in recent years due to low oil prices. As such, there has been a general downturn in GIEK's business, as reflected in a decrease in new guarantees and in 2016 also in guarantee liabilities (Table 3.16). Furthermore, this sector has weak debt service capacity resulting in several debt restructurings in recent years. In order to reduce losses and preserve assets, GIEK has created limited liability companies to take ownership of certain companies/assets when necessary in recent years.¹¹¹

Table 3.16 GIEK, key figures, 2012-16

(Nkr billion, unless otherwise noted)

	2012	2013	2014	2015	2016
Outstanding guarantee liabilities	77.5	81.0	89.3	100.2	98
- in the oil and gas sector	65	68.4	76.8	87.2	84.2
Export contracts triggered	27.3	28	28.5	44.8	30.5
New guarantees (amount)	15.2	24.2	21.4	19.2	16.7
(no.)	198	182	163	126	93
Current guarantees (no.)	476	443	458	431	419
Guarantee revenues	1.4	1.5	1.5	1.6	1.5
Paid out under guarantee schemes	0.02	0.05	0.06	1.2	3.2
Exposure limit	148	165	173	173	173

Source: GIEK Annual Reports, 2013-16. GIEK online information. Viewed at: https://www.giek.no/getfile.php/132772/web/Dokumenter/GIEK_12953_Annual%20Report_ENGELSK_WEB.pdf, https://www.giek.no/getfile.php/133779/web/Dokumenter/GIEK_2016_%C3%85rsrapport_ENGELSK%20KORT.pdf, and http://www.nsd.uib.no/polsys/data/filer/aarsmeldinger/AE_2013_4700.pdf.

3.2.5.2 Short-term export-credit insurance

3.98. Norway's short-term export insurance scheme has traditionally been part of GIEK since 1922 and a separate subsidiary of GIEK since 2001, known as GIEK Kredittforsikring AS (GK). The

¹⁰⁸ The building loan guarantee scheme secures bank loans to shipyards for shipbuilding, but the ship does not need to be exported. The ship guarantee scheme secures loans for Norwegian buyers' purchases from Norwegian yards when the vessels are to be used in Norway. The power purchase guarantee scheme is designed to provide industry with long-term power purchase agreements.

¹⁰⁹ GIEK and Export Credit Norway will often, but not always, be involved in the same contracts. GIEK online information. Viewed at: <https://www.giek.no/overview/>.

¹¹⁰ GIEK Annual Report, 2016. GIEK online information. Viewed at: https://www.giek.no/getfile.php/133779/web/Dokumenter/GIEK_2016_%C3%85rsrapport_ENGELSK%20KORT.pdf.

¹¹¹ GIEK Annual Report, 2016. GIEK online information. Viewed at: https://www.giek.no/getfile.php/133779/web/Dokumenter/GIEK_2016_%C3%85rsrapport_ENGELSK%20KORT.pdf.

separation of GK from GIEK was a response to the new ESA guidelines on short-term export-credit insurance. The state's ownership was managed by GIEK until the end of 2014, and was transferred to the Ministry of Trade, Industry and Fisheries on 1 January 2015.¹¹² GK provides short-term credit insurance up to a maximum of two years for both Norwegian and foreign exporters. The company emphasizes good, responsible access to credit insurance for small and medium-sized businesses. GK operates on a commercial basis and with a view to delivering competitive returns. GK issues insurance for receivables to more than 150 countries, but most of the business is concentrated in the European Union, i.e. 79% in 2016.¹¹³ In 2016, GK insured a volume of Nkr 43.3 billion and the net earnings were Nkr 3.4 million.¹¹⁴

3.99. GK has two main products: credit insurance, insuring the companies' total credit sales; and the single risk product, covering a single project or contract known as a supplier's credit guarantee. Fish export companies account for approximately 70% of the portfolio, and general industry the remaining part. The volumes insured have fallen from Nkr 46.0 billion in 2013 to Nkr 43.3 billion in 2016.

3.2.5.3 Export credits

3.100. Norway's dedicated export credit facility, Export Credit Norway (Eksportkreditt Norge), was established in July 2012 to provide export financing to Norwegian and foreign firms that purchase Norwegian goods and services for export. Export Credit Norway's only task is to manage the State's export credit scheme. Export Credit Norway is wholly owned by the Norwegian State and is administered by the Ministry of Trade, Industry, and Fisheries pursuant to the Export Credit Act and the Export Credit Regulations.¹¹⁵ It provides medium- and long-term financing for companies in the form of CIRR (commercial interest reference rate/fixed rate) or market (floating rate) loans. It may provide financing for up to 85% of the contract value and all loans must be guaranteed by an export credit guarantee agency such as GIEK or commercial financial institutions with a rating that is acceptable according to the Export Credit Regulations. Furthermore, its lending activities are backed by the Norwegian state. As part of its objectives, it ensures that export credits are offered on comparable terms to those offered by competing countries.

3.101. Since its inception in 2012, Export Credit Norway has gradually increased its lending balance from Nkr 45 billion to 76 billion in 2016 (Table 3.17). During the same period, interest income has slightly increased and the percent of CIRR loans has also increased. Export Credit Norway regularly receives about Nkr 100 million per year from the state for its operations (Table 3.17). Loans disbursed have been reduced due to the current situation in the Norwegian offshore/shipping sector which is a considerable sector in the loan portfolio.¹¹⁶

3.102. In terms of industries supported based on the lending balance, Export Credit Norway's loans go mainly to the shipping industry, producers of equipment for the oil and gas industry, and shipping equipment manufacturers. Export Credit Norway also places a strong emphasis on corporate social responsibility per its mandate. As such, it incorporates various environmental and social conditions, and anti-corruption initiatives in the context of its loan transactions.

3.103. There have been several developments for Export Credit Norway during the review period and since its inception. Developments in 2015 included a greater focus on meeting the needs of small and medium-sized businesses and revising the regulations and credit policy limits. The company underwent restructuring in 2016 to streamline its operations and offer better services. In 2017, Export Credit Norway's mandate was expanded to include the financing of offshore fish farms so as to promote new fish farming technologies.

¹¹² The Ministry of Trade, Industry and Fisheries proposed this to the Parliament in the annual state budget for 2015 (Prop. 1 S (2014-2015)) which was then decided by the Norwegian Parliament (Innst. 8 S (2014-2015)).

¹¹³ GIEK Kredittforsikring online information. Viewed at: <https://www.giekkreditt.no/OmOss> and <https://www.giekkreditt.no/ResourceServlet/jbbb98d66f1749539b02aafbaf22e9c>.

¹¹⁴ GIEK Kredittforsikring online information. Viewed at: <https://www.giekkreditt.no/ResourceServlet/jbbb98d66f1749539b02aafbaf22e9c>.

¹¹⁵ Act No. 57 of 22 June 2012. Lovdata online information. Viewed at: <https://lovdata.no/dokument/NL/lov/2012-06-22-57>; Regulation No. 573 of 22 June 2012. Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2012-06-22-573>.

¹¹⁶ Export Credit Norway online information. Viewed at: https://www.eksportkreditt.no/wp-content/uploads/2017/02/%C3%85rsrapport-2016_EN.pdf.

Table 3.17 Export Credit Norway, key figures, 2013-16

(Nkr million, or as indicated)

	2013	2014	2015	2016
Total lending balance	45,023	60,858	76,499	76,505
Loans, total disbursed	23,237	25,117	17,863	10,121
Application volume	172,189	133,247	120,088	209,143
Loan applications received (No.)	409	308	275	278
CIRR loans (%)	38	58	59	61
Market loans (%)	62	42	41	39
Interest income	987	1,159	1,557	1,711
Fee income	62	48	41	20
Operating and investment grants from the Government	105	100.5	100.0	100.8
Operating expenses	85.2	93.3	101.7	106.7
Profit/loss	12	5.6	1.1	-2.2

Source: Export Credit Norway, Annual Reports 2013-16 and information received from the authorities.

3.104. In the state budget for 2018, the Government launched a new loan and guarantee scheme for Norwegian buyers' purchases from Norwegian shipyards when the vessels are to be used in Norway. The scheme aims to assist Norwegian companies in achieving financing and thus increase output at Norwegian shipyards.¹¹⁷ The guarantee scheme (GIEK) is operational as of January 2018, whereas the lending scheme (Export Credit Norway) will be operational later in 2018. Loans offered as part of this scheme from Export Credit Norway will be on commercial market terms (and not CIRR) and GIEK will issue guarantees on *pari passu* terms with commercial financial institutions.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.105. The EEA Agreement provides a legal framework and practices for the granting of state aid in Norway that matches the disciplines applicable in the European Union in all areas except for agriculture and fisheries (i.e. sectors not covered by the Agreement). As a general rule, state aid is prohibited as it has the potential to distort competition and intra-EEA trade, and could work as a disguised form of protection in the absence of trade barriers. However, exemptions to the general rule exist, as it is recognized that government intervention may be required in response to market failure or for other justified reasons. The stated objective in the EEA is to achieve less and better targeted aid.

3.106. The EFTA Surveillance Authority assumes the same functions *vis-à-vis* the three EFTA EEA States as does the European Commission in respect of its 28 EU member States. In principle, no public money may be disbursed in Norway unless the measure has been notified to, and approved by, the EFTA Surveillance Authority. The Authority may accept the proposed scheme, approve it on certain conditions, or prohibit it. The Norwegian Government may challenge the Authority's decision before the EFTA Court. The Court also has the final word in cases brought before it (and the EFTA Surveillance Authority) by private parties, e.g. the competitors to beneficiaries of approved schemes. Governments are obliged to recover expeditiously any aid declared illegal.

3.107. Some adjustments in the EEA state aid regime have taken place since Norway's last trade policy review. During 2012 and 2013, the EFTA Surveillance Authority adopted new guidelines for (i) short-term export-credit insurance; (ii) compensation for public services provided by private economic agents; (iii) national regional aid¹¹⁸; (iv) temporary state aid to troubled banks; and (v) revised guidelines for state aid in the deployment of broadband networks. As part of EU reforms to modernize its aid framework and decentralize the monitoring of aid measures, the revised General Block Exemption Regulation (GBER) entered into force simultaneously in the

¹¹⁷ Export Credit Norway online information. Viewed at: <https://www.eksportkreditt.no/en/2017/10/12/new-ship-financing-scheme/>.

¹¹⁸ The regional aid map (2014-2020) allows investment aid to be granted in areas that make up approximately 25% of Norway's total population. Large enterprises are eligible to have up to 15% of their investments costs covered. The permissible aid level increases to 25% for medium-sized enterprises, and 35% for small businesses.

European Union and in the EEA EFTA States on 1 July 2014.¹¹⁹ The Regulation simplified the granting procedure, provided more leeway for member States to grant "good aid" without scrutiny, and introduced *ex-post* requirements, including the evaluation of large schemes. Norway has been an active user of the revised GBER, which exempts broad categories of aid measures from prior notification to the EFTA Surveillance Authority, claiming 95 block-exempted aid measures in 2014-15, a further 34 measures in 2016, and 40 in 2017.¹²⁰ With an increasing share of aid measures being block-exempted, the EFTA Surveillance Authority has been shifting its focus to *ex-post* evaluation and monitoring of new measures. The Authority has therefore imposed new transparency and accountability obligations on Norway, Iceland, and Liechtenstein.

3.108. Norway's Act No. 117 of 27 November 1992 relating to state aid was accordingly amended in June 2016. A new section (paragraph 2(a)) was added to the law to establish a national register of state aid.¹²¹ Henceforth, all public grants exceeding €500,000 per named beneficiary must be notified by the granting body (central government as well as local administrations) for the support to be valid.¹²² The requirement applies to all aid granted to large undertakings and small and medium-sized enterprises irrespective of the type of administrative decision taken, or whether the aid has been approved by the EFTA Surveillance Authority or is exempted under the GBER. As of January 2018, Norway's new state aid register contained more than 3,500 entries.¹²³

3.109. Over the period 2013-17, the EFTA Surveillance Authority issued 98 decisions relating to aid schemes proposed or maintained by Norwegian authorities. Most of the cases were concluded at the preliminary investigation stage with the Authority raising no objections to the proposed measures.¹²⁴ Formal investigations were opened in seven instances. The Authority's final decisions were positive (i.e. compatible aid or no aid) with respect to three aid schemes, i.e. regarding the inclusion of ambulant services in the regionally differentiated social security contributions scheme; the public services performed against compensation by the privately owned transporter Hurtigruten; and support provided by the local authorities to a football club for the construction of a new home ground. Negative determinations (i.e. prohibited aid) were last reached in 2015 in two cases; one involving aid provided by Innovation Norway to Finn fjord AS,¹²⁵ a producer of ferrosilicon, the other concerning excessive compensation for bus transportation services in the county of Aust Agder. A summary of the cases concluded in 2016 and 2017 is provided in Table A3.1.

3.110. The EFTA Surveillance Authority prepares an Annual State Aid Scoreboard for its three member States, using the same criteria the European Commission applies to the EU member States. According to the latest available information, Norway's non-agricultural state aid, as defined under EEA rules, has been roughly stable (measured in euros) at €2.5-3 billion annually in recent years. Regional development schemes account for about one third of this support¹²⁶, and nearly twice as much as the value of aid provided to innovation, research, and development (Table 3.18).¹²⁷ Incentives granted to "green measures", particularly from the Norwegian Energy Fund, have become gradually more important, and amounted to nearly €1 billion in 2015. Tax

¹¹⁹ Commission Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty. Council Regulation No. 994/98 of 7 May 1998 (amended in 2013) empowers the Commission to declare specific categories of state aid compatible with the EU Treaty as long as certain conditions are fulfilled.

¹²⁰ Prior to 2014, Norway also availed itself of the simplified aid-granting procedures laid down in Commission Regulation (EC) No. 800/2008 of 6 August 2008 (GBER).

¹²¹ Regulation No. 834 of 29 June 2016 (as amended) provides more detail regarding the registration requirement.

¹²² The threshold refers to the amount of the specific grant, or the annual benefit if the aid is granted as a tax concession.

¹²³ The register is accessible online from Brønnøysundregistrene at <https://data.brreg.no/rofs/nob>.

¹²⁴ The Authority thus concluded either that the schemes were compatible with the functioning of the EEA Agreement or that they involved no aid according to the rules.

¹²⁵ The EFTA Surveillance Authority approved a grant from Enova SF of Nkr 175 million for the replacement of a cooling system with an energy recovery unit in 2011. Following cost overruns, Finn fjord AS applied to Enova for additional aid, but its application was rejected. However, Finn fjord AS also approached Innovation Norway, which agreed to provide Nkr 16 million in additional aid, a decision eventually overturned by the EFTA Surveillance Authority.

¹²⁶ The main component, by far, is the reduction in social security contributions applicable in certain areas facing de-population. The scheme accounted for €920 million in revenue foregone in 2015.

¹²⁷ A major portion of the support to research and development is provided through a tax credit scheme (Skattefunn).

concessions account for approximately 70% of Norway's non-agricultural support, with grants making up most of the remaining aid.¹²⁸

Table 3.18 State aid granted by Norway, 2012-15

€ million

Measure/Year	2012	2013	2014	2015
Culture	47.66	56.49	93.80	104.48
Employment	114.99	108.30	104.20	58.73
Environmental protection including energy saving	878.77	693.09	724.31	956.55
Promotion of export and internationalization	60.07	45.97	44.89	41.90
Regional development	980.30	992.64	1,015.76	941.26
Research and development including innovation	457.64	490.17	525.21	590.58
Sectoral development	0	2.05	21.63	15.72
SME including risk capital	11.30	11.27	26.83	14.47
Training	19.15	18.02	15.95	29.94
Other	0	0	0	0.02
Maritime transport	394.35	264.72	202.92	216.45
Other transport	0	0.15	0.08	0
Total aid	2,964.22	2,682.87	2,775.58	2,970.10

Source: EFTA Surveillance Authority, State Aid Scoreboard 2016.

3.111. Norway notifies certain aid schemes to the WTO in accordance with Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures. According to the latest notification (December 2017), Norway's support to non-agricultural activities amounted to less than Nkr 2 billion in 2015 (Table 3.19). The reported tax concessions are administered by the Ministry of Finance. In several other instances, the aid schemes are administered by Innovation Norway on behalf of the responsible Ministry.

Table 3.19 Industry-wide and selected sector-specific support programmes, 2015 and 2016

Nkr million

Initiation year	Expiry	Type of programme/project	Measure	Estimated subsidy in 2015	Estimated subsidy in 2016
Research and development				87.5	85.0
2006	2016	Wood-based innovation scheme	Grant	27.6	19.5
2003	-	Bioenergy scheme	Grant	59.9	65.5
Disadvantaged regions				486.9	418.5
1998	2020	Regional transport aid	Grant	16.9	14.5
1987	-	Regional investment	Grant and risk loans	220.0	192.0
..	-	Regional development aid	Grant	230.0	212.0
2015	-	Regional development at Svalbard	Grant	20.0	0
Specific sector support				..	337.9
1969	2020 ^a	Press grant scheme	Grant
		- Nationwide secondary media		..	157.9
		- Other secondary media		..	65.6
		- Leading and sole media		..	76.7
		- Nationwide weekly media		..	12.9
		Promoting Norway's space industry		24.2	24.9
General measures				578.0	688.0
1991/2000	-	CO ₂ taxes and excise on mineral oil, exemptions and rebates by beneficiary:	Tax concession		
		- Vessels used for fishing and catching (CO ₂ tax)		120.0	130.0
		- Fish oil and fish meal industry (CO ₂ tax)		1.0	3.0
		- Commercial greenhouses		15.0	20.0
		- Domestic freight and passenger transport		60.0	80.0
		- Offshore vessels		23.0	24.0
		- Manufacturing and mining (not covered by EU ETS)		16.0	18.0
		- Pulp and paper industry		7.0	58.0

¹²⁸ Soft loans are rarely used as a form of public aid in Norway, and the incidence of equity participation and guarantees is negligible.

Initiation year	Expiry	Type of programme/project	Measure	Estimated subsidy in 2015	Estimated subsidy in 2016
		- Production of pigments and colouring agents		1.0	2.0
		- Fish oil and fish meal industries		25.0	23.0
		- Vessels used for fishing and catching		310.0	330.0
Fisheries				26.0	35.0
1964	-	Transport support	Grant	26.0	33.0
	-	Sealing	Grant	0	2.0
Forestry				362.2	388.2
1965	-	Forest Trust Fund	Tax concession	121.0	125.0
2017	-	Timber Account	Tax concession	0	0
1971	-	Forest management planning	Grant	29.1	24.6
2004	-	Subsidies for industrial and environmental purposes in forestry ^b	Grant	159.8	177.0
1976	-	Subsidies for forest infrastructure	Grant	42.2	66.2
Total support (excluding agriculture)					1,939.7
Agriculture				12,811.5	..
		Support under Chapter 1150 of the central government budget			
		- Agricultural Development Fund		1,177.0	..
		- Market regulation		24.4	..
		- Price support		2,944.2	..
		- Other direct payments to producers		8,665.9	..
Total support (including agriculture)			

.. Not available.

- No expiry date.

a The maximum duration authorized by the EFTA Surveillance Authority is six years.

b This scheme includes: (1) subsidies for silviculture; (2) subsidies for construction of forest roads; (3) subsidies for conservation and enhancement of environmental values in forestry; (4) national grant for environmental considerations (extraction of round wood in difficult terrain using cable logging systems and horses); and (5) subsidies for the extraction of energy wood other than fuel wood.

Source: WTO document G/SCM/N/315/NOR, 11 December 2017; and information provided by the authorities.

3.112. In addition to the programmes detailed above, Norway also participates in EU framework programmes on research and other programmes of EEA relevance through the EEA Agreement, which also regulates the participation costs of the EFTA members.

3.3.2 Standards and other technical requirements

3.113. Like other members of the EEA, the legal basis for technical requirements, standards, conformity assessment, and accreditation is that of the European Union, and the Blue Guide by the European Commission sets out the framework for technical regulations, standards, and conformity assessment that applies to the members of the EEA.¹²⁹ Therefore, for most products, Norway follows the "New Approach" whereby common essential requirements for a product sector or to meet a particular risk are set out in legislation, and the technical specifications to achieve these essential requirements are in voluntary harmonized standards.¹³⁰ Market operators are not required to use these standards to meet the essential requirements, and alternative methods of demonstrating compliance with the regulatory requirements are the same in Norway as in the European Union and they are set out in the Blue Guide.

¹²⁹ Commission Notice: The "Blue Guide" on the implementation of EU products rules 2016 (2016/C 272/01), OJ C 272, 26 July 2016. Viewed at: <http://ec.europa.eu/DocsRoom/documents/18027/>.

¹³⁰ WTO document WT/TPR/S/357, Section 3.3.1.

3.3.2.1 Technical regulations

3.114. The New Legislative Framework is set out in EEA legislation under Decision of the EEA Joint Committee No. 126/2012¹³¹ under which several EU regulations and decisions were adopted into the EEA Agreement, including:

- Regulation (EC) 765/2008 setting out the requirements for accreditation and the market surveillance of products¹³²;
- Decision 768/2008 on a common framework for the marketing of products, which provides a template for future product harmonization legislation¹³³; and
- Regulation (EC) 764/2008 laying down procedures relating to the application of certain national technical rules to products lawfully marketed in another EEA country.¹³⁴

3.115. At end-2017, product legislation for several areas in the EEA had been reviewed and harmonized based on the New Legislative Framework under which the essential requirements for products are set out in the legislation¹³⁵. By end-2017, out of 20 regulations and directives on product harmonization in the European Union, Norway had transposed 17 into national legislation.¹³⁶ Areas not covered by specific legislation must comply with the General Product Safety Directive¹³⁷ or product specific legislation.

3.116. The New Legislative Framework does not apply to all products. The "old approach" of detailing technical requirements is still applied to some products, such as motor vehicles, while different approaches to EEA harmonization are followed in different sectors such as pharmaceuticals, chemicals and cosmetics. In addition, construction products are also covered by harmonization regulations although the authorities noted that the content and concepts used were different compared to other systems, in particular the mandatory nature of the harmonized standards under the Construction Product Regulation system.

3.117. As with other EU legislation with EEA relevance, harmonized regulations of the European Union are adopted by amendments to the EEA Agreement through decisions of the EEA Joint Committee, and their transposition into national legislation and application are subject to the oversight of the EFTA Surveillance Authority and the EFTA Court. The EEA Joint Committee, which is made up of the EFTA EEA members and the Commission, may decide to adapt the technical regulations before adoption, although at end-2017 there had been no adaptations to the directives and regulations on product harmonization that have been made by the Joint Committee.

3.118. Within the EEA, the principle of mutual recognition applies to all goods or aspects of goods, including those not subject to EU harmonization legislation. This ensures products lawfully put on the market in one EEA country can be marketed in another even if the product does not fully

¹³¹ Decision of the EEA Joint Committee No. 126/2012 of 13 July 2012 amending Annex II (Technical regulations, standards, testing and certification) to the EEA Agreement.

¹³² Regulation (EC) No. 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No. 339/93.

¹³³ Decision No. 768/2008/EC of the European Parliament and of the Council of 9 July 2008 on a common framework for the marketing of products, and repealing Council Decision 93/465/EEC.

¹³⁴ Regulation (EC) No. 764/2008 of the European Parliament and of the Council of 9 July 2008 laying down procedures relating to the application of certain national technical rules to products lawfully marketed in another Member State and repealing Decision No. 3052/95/EC.

¹³⁵ WTO document WT/TPR/S/357/Rev.1 13 October 2017, Section 3.3.1.2.

¹³⁶ Toy safety - Directive 2009/48/EU; Transportable pressure equipment - Directive 2010/35/EU; Restriction of hazardous substances in electrical and electronic equipment - Directive 2011/65/EU; Construction products - Regulation (EU) No. 305/2011; Pyrotechnic articles - Directive 2013/29/EU; Recreational craft and personal watercraft - Directive 2013/53/EU; Civil explosives - Directive 2014/28/EU; Simple pressure vessels - Directive 2014/29/EU; Electromagnetic compatibility - Directive 2014/30/EU; Non-automatic weighing instruments - Directive 2014/31/EU; Measuring instruments - Directive 2014/32/EU; Lifts - Directive 2014/33/EU; Equipment for explosive atmospheres (ATEX) - Directive 2014/34/EU; Radio equipment - Directive 2014/53/EU; Low voltage - Directive 2014/35/EU; Pressure equipment - Directive 2014/68/EU; Marine equipment - Directive 2014/90/EU.

¹³⁷ Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety.

comply with the technical rules of the other EEA country. However, the principle does not preclude prohibitions or restrictions justified on grounds of legitimate public interest.

3.119. Norway and other EEA EFTA States must notify the EFTA Surveillance Authority of plans to develop a national technical regulation, and allow time for comments from other EEA members. Draft national technical regulations are notified and maintained in the TRIS (Technical Regulations Information System) database in accordance with Directive (EU) 2015/1535, which superseded Directive 98/34/EC.¹³⁸ From end-2011 to September 2017, Norway made 95 notifications to the TRIS database, although this includes some measures that are not considered technical regulations and/or state the draft has no significant impact on international trade.¹³⁹

3.3.2.2 Standards

3.120. Norway also applies the EEA rules on standardization as set out in Regulation (EU) No. 1025/2012 on European standardization.¹⁴⁰ This Regulation establishes rules for cooperation between the European standardization organizations, national standardization bodies, and the European Commission. It also sets out rules for the establishment of European standards, the roles of the bodies responsible for standardization, the role of standards as voluntary technical or quality specifications, the financing of European standardization, and stakeholder participation in European standardization.

3.121. There are three standards organizations in Norway:

- Standards Norway (SN) is a private and independent organization partly funded by grants from the Ministry of Trade, Industry and Fisheries. SN is a member of the European Committee on Standardization (CEN) and the International Organization for Standardization (ISO). There are about 16,500 valid Norwegian Standards, and SN publishes about 1,200 new ones each year.
- The Norwegian Electrotechnical Committee (NEK), a private, independent, and autonomous non-governmental organization, is a member of the European Committee for Electrotechnical Standardization (CENELEC) and the International Electrotechnical Commission (IEC). There are about 15,700 valid Norwegian electrotechnical standards mainly based on publications from the IEC and CENELEC with about 150 Norwegian electrotechnical standards.
- The Norwegian Communications Authority (Nkom), which is an autonomous agency of the Ministry of Transport and Communications. Nkom is responsible for standards for post and telecommunications, and it is a member of the European Telecommunications Standards Institute (ETSI) and the International Telecommunications Union (ITU). Nkom does not produce standards but transposes standards from ETSI.

3.122. In addition:

- Standard Online AS is responsible for the marketing and sale of standards and related products from SN and NEK¹⁴¹;
- the trade associations Nelfo (Electrical Contractors' Association) and Energy Norway (an association of companies involved in production, distribution and trading of electricity) sell Norwegian translations of electro technical standards on behalf of NEK; and

¹³⁸ At end-September 2017, a Draft Joint Committee Decision was under consideration to incorporate Directive (EU) 2015/1535 into the EEA Agreement. Viewed at: <http://www.efta.int/eea-lex/32015L1535>.

¹³⁹ DG-GROWTH, TRIS database. Viewed at: <http://ec.europa.eu/growth/tools-databases/tris/en/>.

¹⁴⁰ Decision of the EEA Joint Committee No. 9/2014 adopted Regulation (EU) No. 1025/2012 of the European Parliament and of the Council of 25 October 2012 on European standardization, amending Council Directives 89/686/EEC and 93/15/EEC and Directives 94/9/EC, 94/25/EC, 95/16/EC, 97/23/EC, 98/34/EC, 2004/22/EC, 2007/23/EC, 2009/23/EC and 2009/105/EC of the European Parliament and of the Council and repealing Council Decision 87/95/EEC and Decision No. 1673/2006/EC of the European Parliament and of the Council. Implemented in Norway through Regulation of the Ministry of Food and Fisheries No. 1164 of 12 September 2014.

¹⁴¹ Standard Online is owned by SN (80%) and NEK (20%).

- SN manages and publishes NORSOK¹⁴² standards which are owned by the Federation of Norwegian Industries, the Norwegian Oil and Gas Association, and the Norwegian Shipowners' Association. NORSOK standards are developed to ensure adequate safety, value adding and cost effectiveness for petroleum industry developments and operations. Furthermore, as far as possible, NORSOK standards are intended to replace oil company specifications and serve as references in the authorities' regulations. There are currently about 79 national NORSOK standards in active use.

3.123. As members of the CEN and CENELEC, SN and NEK monitor and delegate experts to their technical committees that draw up standards, as coordinated by the CEN-CENELEC Management Centre in Brussels. Nkom participates in the work of ESTI along with the other members (which in the case of ESTI include non-governmental entities such as companies and universities) to develop telecommunications standards.

3.124. When a new standard has been developed by one of the European standards organizations, conflicting national standards should be withdrawn.¹⁴³ Furthermore, when work on a European standard is started in CEN or CENELEC, a standstill procedure applies to national work on the same subject, and the work programme of national standards must be reported at least annually by each national standardization body. In the case of harmonized standards, standstill and withdrawal are compulsory. Harmonized standards are those created following a request from the European Commission to CEN, CENELEC, or ESTI, with references and titles published in the Official Journal of the European Union. After being transposed into identical national standards by the national standard bodies, there is a presumption of conformity with the corresponding essential requirements for a product made in compliance with the standard. However, use of the standard is not required but the burden of proving conformity with the essential requirements rests with the manufacturer.¹⁴⁴

3.125. At end-June 2017, CEN and CENELEC had 20,202 standards and harmonization documents in their portfolio of European Standards, and Norway had an implementation rate of over 99%. Of the total portfolio of documents for CEN, 68% were based on ISO publications and 32% were identical to them. For CENELEC, 22% were based on IEC publications, and 72% were identical to them. Of the total for both CEN and CENELEC, 4,258 were harmonized standards (cited or intended for citation in the OJEU), of which 37% were identical to, 6% were based on, and the remainder had no relation to ISO/IEC publications.¹⁴⁵

3.126. In Norway, as in the rest of the EEA, CE marking must be applied whenever required by legislation. The marking is applied by the manufacturer as a declaration that the product meets all legal requirements for the marking and can be sold throughout the EEA. It is the manufacturer's responsibility to carry out the conformity assessment, set up the technical file, issue the EU declaration of conformity, and affix the CE marking to a product. Only then can this product be traded on the EEA market.¹⁴⁶

¹⁴² NORSOK was originally an acronym for "the Norwegian shelf's competitive position" which was introduced in 1994 to cut costs and improve competitiveness on the Norwegian continental shelf.

¹⁴³ CEN-CENELEC Guide 30, p. 8. Viewed at: <https://www.cencenelec.eu/standards/Guides/Pages/default.aspx>.

¹⁴⁴ CEN online information. Viewed at: <https://boss.cen.eu/reference%20material/guidancedoc/pages/newapproach.aspx>.

¹⁴⁵ CEN-CENELEC Quarterly Statistical Pack, 2017 Q2, pp. 3, 6, and 13. Viewed at: ftp://ftp.cencenelec.eu/EN/AboutUs/InFigures/CEN-CENELEC_StatPack2017-Q2.pdf.

¹⁴⁶ Product groups requiring CE marking: Active implantable medical devices; Appliances burning gaseous fuels; Cableway installations designed to carry persons; Construction products; Eco-design of energy related products; EMC; Equipment and protective systems intended for use in potentially explosive atmospheres; Explosives for civil uses; Hot-water boilers; In-vitro diagnostic medical devices; Lifts; Low voltage; Machinery; Measuring Instruments; Medical devices; Noise emission in the environment; Non-automatic weighing instruments; PPE; Pressure equipment; Pyrotechnics; Radio equipment; Recreational craft; Restriction of Hazardous Substances in Electrical and Electronic Equipment; Safety of toys; and Simple pressure vessels.

3.127. Norwegian Accreditation (NA) is responsible for the accreditation of conformity assessment bodies in Norway. NA is a member of the European cooperation for Accreditation (EA), the International Accreditation Forum, and the International Laboratory Accreditation Cooperation.¹⁴⁷

3.128. When the European Union negotiates mutual recognition agreements, it does so on the basis that the third country will conclude a parallel MRA with the EEA. Through the EEA, Norway has mutual recognition agreements with:

- New Zealand (2000), covering pharmaceuticals (good manufacturing practices (GMP)), medical devices, telecommunications terminal equipment, low voltage equipment, electromagnetic compatibility (EMC), machinery, and pressure equipment;
- Australia (2000), covering EMC, pharmaceuticals (GMP), medical devices, telecommunications terminal equipment, automotive products, pressure equipment, machinery, and low voltage equipment;
- Canada (2001), covering telecommunications terminal equipment, EMC, electrical safety, recreational craft, pharmaceuticals (GMP), and medical devices;
- Switzerland (2002), covering machinery, personal protective equipment (PPE), safety of toys, medical devices, gas appliances and boilers, pressure equipment, telecommunications terminal equipment, equipment and protective systems intended for use in potentially explosive atmosphere (ATEX), electrical safety and EMC, construction plant and equipment, measuring instruments and pre-packages, motor vehicles, agricultural and forestry tractors, good laboratory practice (GLP), GMP, inspection and batch certification, construction products, lifts, biocidal products, cableway installations, and explosives for civil use;
- United States, the first (2005) covering marine equipment, and the second (2006) covering telecommunications equipment, EMC, and recreational craft; and
- Turkey (2011) covering all sectors.¹⁴⁸

3.3.2.3 WTO and technical barriers to trade

3.129. For 2012-17, Norway made five notifications to the WTO Committee on TBT (all regular notifications), two on fertilizers, two on tobacco products, and one on laser pointers. During this period, two specific trade concerns were raised about Norway's TBT measures, one on tobacco labelling regulations, and the other an issue first raised in 2008 relating to a regulation on specific hazardous substances in consumer products.¹⁴⁹ SN is the enquiry point for Norway under the WTO Agreement on Technical Barriers to Trade (TBT). Norway's notifications to the TBT Committee are for national measures only.

3.3.3 Sanitary and phytosanitary requirements

3.130. The EEA Agreement covers most aspects of sanitary and phytosanitary (SPS) measures and, as in other areas, EU legislative changes are incorporated continuously into it through decisions of the EEA Joint Committee, including simultaneous implementation in the EU and EEA EFTA members for emergency measures and some specific third country regulations (such as the list of approved countries and establishments). In addition, the EFTA Surveillance Authority routinely inspects EEA EFTA members' application of food and veterinary legislation, and participates in operating the Rapid Alert System for Food and Feed (RASFF).¹⁵⁰ Norwegian food and veterinary legislation is harmonized with the European Union.¹⁵¹

¹⁴⁷ Norwegian Accreditation online information. Viewed at: <http://www.akkreditert.no/no/>.

¹⁴⁸ EFTA online information. Viewed at: <http://www.efta.int/eea/mras>.

¹⁴⁹ WTO TBT Information Management System. Viewed at: <http://tbtims.wto.org/>.

¹⁵⁰ WTO document WT/TPR/S/357/Rev.1, 13 October 2017, Section 3.3.2.3.

¹⁵¹ Norwegian Food Safety Authority online information. Viewed at: https://www.mattilsynet.no/language/english/food_and_water/Commercial_import_of_foods_to_Norway/obligations_for_importers_of_foods_to_norway.11700.

3.131. Several government agencies are responsible for policy, regulation, and legislation relating to SPS measures including: the Ministry of Agriculture and Food; the Ministry of Trade, Industry and Fisheries; the Ministry of Health and Care Services; the Ministry for Foreign Affairs; and the Ministry for the Environment. Responsibility for implementation of the legislation is delegated to the Norwegian Food Safety Authority (NFSA) which is the principal agency responsible for preparation, drafting and implementing food safety and other SPS regulations.

3.132. The NFSA represents Norway in a number of committees and working groups under the Directorate General for Health and Food Safety of the European Commission, including the Standing Committee on Plants, Animals, Food and Feed (PAFF Committee) which is the principal regulatory body responsible for delivering opinions on draft implementing measures. The PAFF Committee is made up of 14 different sections, each responsible for different aspects related to SPS measures.¹⁵² In addition, the NFSA represents Norway in five committees that are also responsible for specific SPS-related issues:

- Regulatory Committee under Directive 2001/18/EC on the deliberate release into the environment of genetically modified organisms (GMOs);
- Regulatory Committee under Directive 2009/41/EC on the contained use of GMOs;
- Standing Committee on Plant Variety Rights;
- Standing Committee on Zootechnics; and
- Biocidal Products Committee.

3.133. The NFSA is also responsible for Norway's participation in the Rapid Alert System for Food and Feed (RASFF) and the TRAdE Control and Expert System (TRACES) online system which manages official controls and route planning for imports of animals, semen and embryos, food, feed, and plants which must be accompanied by health certificates and/or trade documents. All harmonized certificates for exporting to the EEA are available on TRACES which is used to notify the relevant authorities in the importing country of the arrival of a consignment.¹⁵³

3.134. Norway is a member of the Codex Alimentarius Commission, and the World Organisation for Animal Health (OIE), and a contracting party to the International Plant Protection Convention.

3.135. The principal legislation relating to SPS measures in Norway is the Act Relating to Food Production and Food Safety No. 124 of 2003 and supporting regulations, many of which incorporate EU legislation into Norway. During the period 2012-17, several regulations were introduced, including:

- Regulation on Novel Foods No. 1215 of 25 July 2017 which implemented Regulation (EU) No. 2015/2283¹⁵⁴;
- Regulation on Common Coordinated Programme for Pesticide Residues in Foodstuffs for 2017, 2018, and 2019 of 5 August 2017 which implemented Regulation (EU) No. 2016/662¹⁵⁵;

¹⁵² Genetically Modified Food and Feed and Environmental Risk; Phytopharmaceuticals; Plant Health; Propagating Material of Ornamental Plants; Propagating Material and Plants of Fruit Genera and Species; Seeds and Propagating Material for Agriculture and Horticulture; Forest Reproductive Material; Vine; General Food Law; Biological Safety of the Food Chain; Novel Food and Toxicological Safety; Controls and Import Conditions; Animal Nutrition; Animal Health and Animal Welfare. European Commission online information. Viewed at: https://ec.europa.eu/food/committees/paff_en.

¹⁵³ Directorate-General for Health and Food Safety (DG SANTE) online information. Viewed at: http://ec.europa.eu/food/animals/traces_en.

¹⁵⁴ Regulation (EU) 2015/2283 of the European Parliament and of the Council of 25 November 2015 on novel foods, amending Regulation (EU) No. 1169/2011 of the European Parliament and of the Council and repealing Regulation (EC) No. 258/97 of the European Parliament and of the Council and Commission Regulation (EC) No 1852/2001.

¹⁵⁵ Commission Implementing Regulation (EU) 2016/662 of 1 April 2016 concerning a coordinated multiannual control programme of the Union for 2017, 2018 and 2019 to ensure compliance with maximum

- Regulation on sampling and analysis for the official control of certain pollutants in foodstuffs of 7 October 2015 implementing several EU regulations, including Regulations (EC) No. 401/2006, (EC) No. 1882/2006, (EC) No. 333/2007, (EU) No. 2017/644, and (EU) No. 2015/705; and
- Regulation of certain contaminants in foodstuffs of 7 October 2015 implementing Regulation (EC) No. 1881/2006¹⁵⁶ (as amended) and setting national limits for radioactive caesium in some food products and radioactive substances in drinking water.

3.136. The Norwegian Regulations relating to alien organisms under the Act Relating to the Management of Biological, Geological and Landscape Diversity No. 100 of 2009 (the Nature Diversity Act) came into force on 1 January 2016. The purpose of the Regulations is to prevent the import, release and spread of alien organisms that have or may have adverse impacts on biological or landscape diversity. It includes a general requirement of a permit for the import of organisms, and for the release of alien organisms along with a number of exceptions. The Regulations also include a prohibition against the import, release and placing on the market of 31 alien organisms, mainly plants, but also live American Lobster (*Homarus americanus*). Norway has not implemented the EU Regulation 1143/2014 on invasive alien species.

3.137. Plant health protection legislation remains the Regulation relating to plants and measures against pests and diseases No. 1333 of 2000, last amended in 2016. According to the authorities, this remains as national legislation as the EU plant health legislation is not part of the EEA agreement. The purpose of the Regulation is to prevent the introduction and spread of pests, to control any plant disease outbreaks in Norway, and to safeguard the production and sale of plants intended for planting.

3.138. The Gene Technology Act No. 6 of 1993 on living GMOs (including seeds) (last amended in 2015) sets out the process for approving the use and imports of GMOs. The purpose of the Act is to ensure that the use of GMOs and the production of cloned animals take place in an ethically and socially sound manner, in accordance with the principle of sustainable development and without health and environmental harm. No authorization is required in Norway for the deliberate release of genetically modified organisms (GMOs) that have been authorized in another EEA State in accordance with the European Union's GMO Directive (2001/18/EC). However, under the Gene Technology Act, a domestic decision to prohibit GMOs can be made and the Norwegian authorities may prohibit or restrict the placing on the market of a GMO if it involves a risk to health or the environment, or if placing it on the market is otherwise in conflict with the purpose of the Gene Technology Act, provided that their decision is otherwise in accordance with the EEA Agreement.¹⁵⁷ In 2017, prohibitions of certain genetically modified plants¹⁵⁸ for use as feed and for industrial processing were laid down by Royal Decree. At the same time, Norway did not object to the EU decisions permitting the import of five genetically modified carnation lines.¹⁵⁹

3.139. The Animal Welfare Act No. 97 of 2009 and accompanying regulations set out requirements for the raising, transport and slaughtering of animals.

3.140. In general, import requirements are the same as in the European Union, and only products coming from the EU list of exporting countries, species, and establishments may be imported into Norway. Importers and/or first recipients of imports of food are required to register with the NFSA, and must take responsibility for the imported food, including compliance with regulations and internal controls (Regulation No. 1187 of 1994¹⁶⁰). All imports of food from outside the EEA must be notified to the NFSA at least 24 hours before arrival. Food of animal origin must be notified to the TRACES online system, and products subjected to veterinary check at a border inspection post are those specified in Annex I of Commission Decision (EC) No. 2007/275 concerning lists of

residue levels of pesticides and to assess the consumer exposure to pesticide residues in and on food of plant and animal origin.

¹⁵⁶ Commission Regulation (EC) No. 1881/2006 of 19 December 2006 setting maximum levels for certain contaminants in foodstuffs.

¹⁵⁷ See Section 10, sixth paragraph, of the Gene Technology Act and the adaptations set out in Annex XX, item 25 d, to the EEA Agreement.

¹⁵⁸ Maize line 1507 and oilseed rape lines Ms8, Rf3 and Ms8xRf3.

¹⁵⁹ The carnation lines Moonlite, Moonvelvet, Moonaqua, Moonberry and SHD-27531-4, all of which have a modified petal colour.

¹⁶⁰ Regulations on internal control to comply with the food law No. 1187 of 1994 (as amended).

animals and products to be subject to controls at border inspection posts under Council Directives 91/496/EEC and 97/78/EC.¹⁶¹

3.141. Regulation No. 1333 on plants and plant pests sets out the requirements for imports of plants and plant products, including packaging material. Requirements relating to import vary depending on the country of origin and the type of product. The Regulation also requires health certificates for imports of a number of products, including some fruits, vegetables, potatoes, wood, and flowers.

3.142. For 2012-17, Norway made seven notifications to the WTO for SPS measures, including the draft regulations relating to alien organisms and two addenda to this notification. During this period, no specific trade concerns were raised by other Members about measures taken by Norway. The national notification authority is the Ministry of Foreign Affairs, and the enquiry point is the Ministry of Agriculture and Food.¹⁶²

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.143. The national authority responsible for policies relating to competition and for preparing national legislation on competition is the Ministry of Trade, Industry and Fisheries. The Norwegian Competition Authority (NCA) is responsible for enforcing the law, including investigations and levying fines. In addition, the European Commission and the EFTA Surveillance Authority are responsible for enforcing some aspects of competition law. In some sectors, a sector-specific authority may have responsibilities relating to competition, such as the Norwegian Communications Authority for electronic communications.

3.144. In addition, the Authority for Intervention and Prosecution of Economic and Environmental Crime (ØKOKRIM) may initiate criminal procedures leading to fines and/or criminal sanctions on individuals for breaches of competition law. Following an investigation, the NCA may request ØKOKRIM to undertake a criminal investigation through a notification identifying the individuals to be investigated. While there is no requirement to show leniency for those that collaborate with the ØKOKRIM it is possible that collaboration may result in lower penalties compared to other individuals named in the investigation who did not collaborate or chose to collaborate later.

3.145. The rules and regulations relating to competition in the EEA are set out in Articles 53 to 60 of the EEA Agreement, in particular, Articles 53 and 54 (which mirror Articles 101 and 102 of the Treaty on the Functioning of the European Union). Protocols 21 to 25 of the EEA Agreement provide more detailed rules on competition, including incorporation of the relevant EU regulations and directives.

3.146. Responsibility for investigation and decision of cases is set out in Article 56 of the EEA Agreement, which states that individual cases where "only trade between EFTA states is affected" are to be decided by the EFTA Surveillance Authority, in addition to some cases where the turnover in the EFTA States of the undertakings concerned is 33% or more. The European Commission is responsible for cases affecting trade between EFTA EEA States and the member States of the European Union. The Norwegian Competition Authority is responsible for cases where an undertaking has a dominant position in Norway, where collusion is between Norwegian enterprises, and, for merger and acquisitions, as far as the Norwegian market could be affected.

3.147. Norway, along with Denmark, the Faroe Islands, Finland, Greenland, Iceland, and Sweden, is a party to the Agreement between Denmark, Iceland and Norway concerning cooperation in matters of competition which enables the participants to exchange confidential information

¹⁶¹ Commission Decision of 17 April 2007 concerning lists of animals and products to be subject to controls at border inspection posts under Council Directives 91/496/EEC and 97/78/EC; Council Directive 91/496/EEC of 15 July 1991 laying down the principles governing the organization of veterinary checks on animals entering the Community from third countries and amending Directives 89/662/EEC, 90/425/EEC and 90/675/EEC; and Council Directive 97/78/EC of 18 December 1997 laying down the principles governing the organization of veterinary checks on products entering the Community from third countries.

¹⁶² WTO Sanitary and Phytosanitary Information Management System. Viewed at: <http://spsims.wto.org/>.

regarding mergers, cartels, and abuse of dominant position.¹⁶³ A revised Nordic Agreement has been adopted but, at end-2017, it had not yet entered into force. The NCA also participates in the European Competition Network with other EEA member States, the International Competition Network, and the OECD's Competition Committee.

3.148. Norway's main legislation on competition comprises: the EEA Competition Act No. 11 of 2004 concerning implementation and enforcement of the competition rules of the EEA Agreement (including amendments in Act No. 100 of 2004) (last amended in 2013); and the Norwegian Competition Act No. 12 of 2004 on competition between undertakings and control of concentrations (last amended in 2016). The 2016 amendments to the Norwegian Competition Act affected the rules for mergers and settlements in cartel cases, and introduced a new appeals system by establishing the Competition Appeals Tribunal. The Competition Act does not apply to terms and conditions of employment, and other exemptions apply to specific sectors, such as: the fixed-price system for books¹⁶⁴; and the agriculture and fisheries sectors for agreements with the State.¹⁶⁵

Anti-trust

3.149. Articles 53 and 54 of the EEA Agreement prohibit abuse of dominant position and all forms of agreements and practices among operators that restrict competition. Article 3.3 of Protocol 21 of the Agreement adopted Council Regulation (EC) No. 1/2003 on the general implementation of the rules on competition, and the sector specific rules that apply to transport¹⁶⁶ and air transport.¹⁶⁷

3.150. Exemptions apply to certain types of agreements, particularly ones that lead to economic benefits provided: the restrictions are needed to achieve these benefits; consumers benefit; and competition is not eliminated for a substantial part of the products concerned.¹⁶⁸ In addition, through regulations, block exemptions may apply:

- to vertical agreements between an association of undertakings and its members, or such an association and its suppliers, provided no member of the association has an annual turnover greater than €50 million and the supplier's share of the market for its sales is no more than 30%, or the retailer's share of the market for its purchases is no more than 30%¹⁶⁹;
- to research and development agreements that include provisions for the transfer or licensing of intellectual property rights, or to an entity created by the parties to the agreement to carry out joint research and development¹⁷⁰;
- to vertical agreements relating to the parties' purchase, sale or resale of spare parts for motor vehicles, or repair and maintenance services for motor vehicles.¹⁷¹

3.151. These exemptions do not apply to agreements that include "hardcore" restrictions, that is: price fixing; territorial restrictions; and division of markets or sources of supply that are not subject to exemption.

¹⁶³ NCA online information. Viewed at: <http://www.konkurransetilsynet.no/en/om-oss/nordic-co-operation2/>.

¹⁶⁴ Regulation concerning exceptions from the Competition Act Section 10 for cooperation on the sale of books No. 1716 of 2014.

¹⁶⁵ Regulation for exceptions for cooperation, etc. in agriculture and fisheries No. 651 of 2004.

¹⁶⁶ Regulation (EEC) No. 2988/74 of the Council of 26 November 1974 concerning limitation periods in proceedings and the enforcement of sanctions under the rules of the European Economic Community relating to transport and competition.

¹⁶⁷ Council Regulation (EC) No. 411/2004 of 26 February 2004 repealing Regulation (EEC) No. 3975/87 and amending Regulations (EEC) No. 3976/87 and (EC) No. 1/2003, in connection with air transport between the Community and third countries.

¹⁶⁸ EEA Agreement, Article 53.3.

¹⁶⁹ Regulation on groups of vertical agreements No. 989 of 2010.

¹⁷⁰ Regulation on research and development agreements No. 342 of 2012.

¹⁷¹ Regulation on groups of vertical agreements and concerted conduct in the motor vehicle sector No. 1214 of 2010.

Abuse of dominance

3.152. As in the EEA Agreement, there is no definition of abuse of dominance in the Norwegian Competition Act, and dominance, *per se*, is not illegal. An assessment of whether an enterprise is dominant in its market is identical to the assessment under EU and EEA law, and several factors are taken into account, including market share, the ease with which other companies can enter the market; the existence of countervailing buyer power; the overall size and strength of the company and its resources; and the extent to which it is vertically integrated. A dominant enterprise is required to show that it does not use its dominant position to distort competition through its practices, such as: price fixing; production restrictions; application of different terms to trading partners; and making contracts depend on the delivery of non-related benefits.

3.153. The Electronic Communications Act No. 3 of 2003 includes provisions relating to those companies with significant market power. Under the Act, the Norwegian Postal and Telecommunications Authority may impose obligations on a provider with significant market power, such as: obligations relating to access and interconnection; and obligations relating to access and non-discrimination. Other sector-specific rules apply to energy (Energy Act No. 50 of 1990), and postal services (Postal Act No. 7391 of 2015).

Investigations and penalties

3.154. An investigation by the NCA may be initiated on its own authority, on the basis of a complaint, or following an application for leniency. Following the investigation, which may include surprise inspections (with court authorization) and/or formal requests for information, the NCA may make an initial decision. If the initial decision is that there has been an infringement of competition law, the parties are informed and allowed time to comment. Then, following a reappraisal of the results of the investigation and an assessment of the comments, the NCA may make a decision which may include fines. Under the 2016 amendment to the Competition Act, the NCA may negotiate a settlement decision with the parties and end the case subject to the parties' commitment to meet specific requirements that would bring them into compliance with the law.

3.155. Under the 2016 amendments to the Competition Act, appeals to NCA decisions must, in the first instance, be made to the Competition Appeals Tribunal, which was established on 1 January 2017. Appeals of decisions by the Competition Appeals Tribunal are handled by the regular courts.

3.156. Under the Competition Act and the Regulation on the calculation of and leniency from administrative fines No. 1465 of 2013, the NCA may require that the undertakings end any activity that is in breach of the law and impose an administrative fine of up to 10% of turnover in the previous year plus an additional 1% of turnover if the investigation was obstructed. Higher fines may be imposed for particularly serious violations of the Competition Act, such as horizontal price fixing agreements, market sharing, and limitations of production, or for repeated violations. A company may qualify for immunity from fines if, on its own initiative, it provides information on the infringement and cooperates with the investigation. The fines may also be reduced for companies that provide evidence to the NCA that help establish an infringement of the Competition Act and cooperate with the investigation.

3.157. Under the Competition Act and NCA guidelines of June 2016 on criminal sanctions for individuals in competition law cases, individuals may be sentenced to up to a maximum of six years in prison.

Mergers and acquisitions

3.158. The Competition Act requires that concentrations involving companies with total annual turnover in Norway of Nkr 1 billion or more, or with one party to the merger with turnover in Norway of Nkr 100 million or more, be notified to the Competition Authority by a standardized notification. In some markets with a high degree of concentration, such as power production and groceries, all acquisitions must be notified to the NCA. Detailed rules on merger control are in Regulation No. 1466 of 2013, which was last amended in 2016.

3.159. Following notification, the NCA will start a Phase I investigation, at the end of which it will: approve the merger; approve with remedies; or start a more detailed Phase II investigation. At the end of the Phase II investigation, the merger will be: approved; approved with remedies; or prohibited. As part of the investigation, the NCA may issue a statement of objections to the parties in the merger, which may then respond with comments which are taken into account by the NCA in the final decision. If there is no decision at the end of the Phase I and II investigations then an informal notice is given to the parties and the merger or acquisition may proceed.

3.160. According to the 2016 amendments to the legislation, which are designed to improve harmonization with EU law, the NCA now prohibits concentrations that will lead to a significant impediment to effective competition (SIEC), in particular as a result of strengthening a dominant position. The SIEC test has now replaced the significant lessening of competition (SLC) test used previously.

Enforcement

3.161. In addition to investigations into specific mergers and cases of anti-competitive activities, the NCA may also initiate market studies, such as the 2015 studies of the taxi market, the market for residential property development, and the mortgage market, and the 2016 study (with the other Nordic competition authorities) of the waste disposal market.¹⁷²

3.162. The number of merger notifications declined significantly in 2014 compared to 2013, due to an increase in the thresholds for notification and, in most cases, they were approved with only three prohibitions in 2016 and five the previous year. Similarly, there were relatively few cases concerning infringements of the prohibitions on anti-competitive agreements and the abuse of dominant position (Table 3.20).

Table 3.20 Competition cases at the Norwegian Competition Authority

	2011	2012	2013	2014	2015	2016
Cases received (number)						
Notifications of mergers and acquisitions	461	411	391	89	96	97
Complaints received of anti-competitive activity	81	75	45	27	41	33
Hearings	203	180	193	124	130	146
International issues	97	95	82	79	56	57
Leniency applications	3	6	2	3	3	..
Completed cases (number)						
Mergers and acquisitions	2	4	2	3	5	3
Anti-competitive cases	2	0	1	0	2	1
Consultations statements	19	12	16	13	10	10
Infringement fee	4	4	3	5	2	0
Infringement penalties (Nkr thousand)						
Anti-competitive cases	4,400	0	360,000	0	18,850	6,500
Breach of execution	950	1,250	800	26,300	950	0

.. Not available.

Source: Norwegian Competition Authority Annual Reports for 2016 and 2015.

3.3.4.2 Price controls

3.163. There have been no substantive changes to the legislation relating to price controls since 2012.¹⁷³ The Act on Price Measures No. 66 of 1993 allows price controls when necessary "to promote socially justifiable price developments" and prohibits "unfair" prices. However, few products or services are actually subject to controls.

3.164. Under the Act on the Sale of Alcoholic Beverages No. 27 of 1989, alcoholic beverages over 4.7% by volume may only be sold in Vinmonopolet outlets and the sales price is the purchase price plus taxes and profit, where the profit is Nkr 8.90 per litre plus 22% of the purchase price. Beverages with an alcohol content of 4.7% or less may be sold in other licensed premises.

¹⁷² NCA online information. Viewed at: <http://www.konkurransetilsynet.no/nb-NO/publikasjoner/nye-publikasjoner/>.

¹⁷³ WTO document WT/TPR/S/269/Rev.1, 13 November 2012, Section III(4)(x).

3.165. Under Regulation No. 1307 of 2010 of the NCA, taxi fares are subject to maximum prices and fare calculation formulas, although this Regulation does not apply to the major towns and cities.

3.166. Prices of some non-generic prescription pharmaceuticals are controlled under the Medicinal Products Act No. 132 of 1992 and Regulation No. 1839 of 2009 through maximum wholesale prices plus a margin for the pharmacy. All registered prescription-only medicines for humans must have maximum prices plus pharmacy mark-ups set by the Norwegian Medicines Agency before they can be marketed in Norway. The maximum pharmacy purchase price is set as the average of the three lowest market prices of the product in a selection of European countries. The price comparison group includes Austria, Belgium, Denmark, Finland, Germany, Ireland, the Netherlands, Sweden, and the United Kingdom. The list of products subject to maximum prices, and their wholesale and pharmacy prices are available from the Norwegian Medicines Agency.¹⁷⁴

3.167. Transfers of agricultural real estate are regulated by the Concession Act No. 98 of 2003. Under the Act, the price paid for agricultural property should not exceed the production value of the property plus its value as a residence. A concession from the local authority is required for transfer of ownership, and the application must include information on how the farm is to be managed.

3.3.5 State trading, state-owned enterprises, and privatization

3.168. The State took the lead in the industrial development of Norway after World War II, as private capital was scarce and foreign investment was limited by restrictions on the international movement of capital. The State's interests expanded further with the development of the offshore petroleum sector in the 1970s, and a domestic banking crisis brought the country's major banks into public ownership in the early 1990s. Subsequent bank re-privatizations and other asset sales reduced the level of state involvement. Nevertheless, state ownership remains substantial in Norway. The 281,000 employees that worked in enterprises owned by the State (entirely or in part) at the end of 2016 corresponded to approximately 11% of the working population.

3.169. At the end of 2016, state ownership comprised 74 wholly owned or partially owned enterprises. Based on the market valuation of stocks listed on the Oslo Stock Exchange, about 35% of the listed capital is in state hands. In addition, the State is a substantial owner (about 30%) of unlisted enterprises.¹⁷⁵ According to the Ministry of Trade, Industry and Fisheries, the value of the Norwegian State's investments in commercial businesses totalled Nkr 715 billion at the end of 2016.¹⁷⁶

3.170. Depending on the purpose and background for the State's involvement, the management of the State's interests is allocated among 12 different ministries, with the Ministry of Trade, Industry and Fisheries taking on a leading role. The Ministry promotes transparency through the publication of an annual state ownership report summarizing the commercial results and operational highlights for each individual enterprise and providing information about the ministries' management of the State's ownership. The Ministry also produces more extensive reports (white papers) to Parliament approximately every four years, outlining the Government's policy and strategies in relation to state ownership. The last such report was presented in 2014.¹⁷⁷

3.171. Since 2006, the state-owned enterprises have been classified in four different categories, reflecting the state's justification and objectives for direct state ownership (Table 3.21).¹⁷⁸ Most

¹⁷⁴ Norwegian Medicines Agency online information. Viewed at: <https://legemiddelverket.no/refusjon-og-pris/pris-pa-legemidler>.

¹⁷⁵ The estimates, provided in White Paper No. 27 (2013-2014), *Et mangfoldig og verdiskapende eierskap*, are based on Øyvind Bøhren (2013), *Eierne, styret og ledelsen Corporate governance i Norge*. Estimates for unlisted companies are compiled from the book value of equity, whereas actual market quotations have been used to determine the value of listed enterprises.

¹⁷⁶ Buoyed by a rising stock market, the market value of the State's ownership in listed companies rose from Nkr 504 billion in 2010 to Nkr 596 billion at the end of 2016. In addition, the State has been a major recipient of dividends during this period. Dividends received during 2016 totalled Nkr 33 billion.

¹⁷⁷ Meld.St. 27 (2013-2014) Report to the Storting (white paper), *Diverse and value-creating ownership*, 20 June 2014. Viewed at: <https://www.regjeringen.no/contentassets/899ac257df2648d788942b78c6d59787/en-gb/pdfs/stm201320140027000engpdfs.pdf>.

¹⁷⁸ Two entities, the Government Pension Fund Norway (Folketrygdfondet) and a property (Rosenkrantzgate 10AS), are not assigned to any particular category.

enterprises in categories 1 to 3 operate in markets in competition with private suppliers of goods and services. The State's goal for these companies is to achieve the highest possible return on the invested capital. The State's ownership is accordingly of a commercial character, and return targets are set. For enterprises in category 2, an additional consideration is the retention of their headquarters in Norway, which requires at least a blocking minority (one third) of the stocks issued. Enterprises in category 3 have additional considerations (societal justifications) other than the maintenance of company headquarters in Norway. In category 4, where the State's involvement is of a non-commercial nature (typically R&D and the management of infrastructure), the prime consideration is that the underlying sectoral objectives are reached efficiently.

Table 3.21 State-owned enterprises, December 2016

Name of company	Type of company	Sector	State share (%)	Ministry responsible
Companies with commercial objectives				
Ambita AS	State owned limited company	Centralized property registry	100	Trade, Industry and Fisheries
Baneservice AS	State owned limited company	Railway construction and maintenance	100	Trade, Industry and Fisheries
Entra Eiendom AS	Public limited company with state ownership	Real estate	33.4	Trade, Industry and Fisheries
Flytoget AS	State owned limited company	Airport shuttle (rail), Drammen – Oslo – Oslo Airport	100	Trade, Industry and Fisheries
Mesta AS	State owned limited company	Road operation and maintenance	100	Trade, Industry and Fisheries
SAS AB	Limited company (Swedish) with state ownership	Airline	11.45	Trade, Industry and Fisheries
Veterinærmedisinsk Oppdragscenter AS	Limited company with state ownership	Distribution of veterinary medicines; vaccine research	34	Trade, Industry and Fisheries
Companies with commercial objectives and national anchoring of their head office functions				
Aerospace Industrial Maintenance Norway AS	State owned limited company	Maintenance of aircraft engines, engineering	100	Defence
Aker Kværner Holding AS	Limited company with state ownership	Offshore engineering (holding company)	30	Trade, Industry and Fisheries
DNB ASA	Public limited company with state ownership	Banking, insurance, financial services	34	Trade, Industry and Fisheries
Kongsberg Gruppen ASA	Public limited company with state ownership	High technology systems for defence, space, oil and gas, and merchant fleets	50.001	Trade, Industry and Fisheries
Nammo AS	Limited company with state ownership	Ammunitions manufacture	50	Trade, Industry and Fisheries
Norsk Hydro ASA	Public limited company with state ownership	Production, distribution, and sale of aluminium	34.26	Trade, Industry and Fisheries
Statoil ASA	Public limited company with state ownership	Oil and gas	67	Petroleum and Energy
Telenor ASA	Public limited company with state ownership	Telecommunications	53.97	Trade, Industry and Fisheries
Yara International ASA	Public limited company with state ownership	Production, distribution, and sale of fertilizers	36.21	Trade, Industry and Fisheries
Companies with commercial objectives and other specifically defined objectives				
Argentum Fondsinvesteringer AS	State owned limited company	Private equity	100	Trade, Industry and Fisheries
Eksportfinans ASA	Limited company with state ownership	Financial services for exports (winding up)	15	Trade, Industry and Fisheries
Electronic Chart Centre AS	State owned limited company	Electronic sea charts	100	Trade, Industry and Fisheries
GIEK Kredittforsikring AS	State owned limited company	Export credit insurance	100	Trade, Industry and Fisheries

Name of company	Type of company	Sector	State share (%)	Ministry responsible
Investinor AS	State owned limited company	Venture capital	100	Trade, Industry and Fisheries
Kommunalbanken AS	State owned limited company	Lending to local authorities	100	Local Government and Modernization
NSB AS	State owned limited company	Transportation (passengers and goods)	100	Transport and Communications
Posten Norge AS	State owned limited company	Postal services and logistics	100	Trade, Industry and Fisheries
Statkraft SF	Statutory enterprise	Production, distribution and sale of energy from hydropower, gas, and wind	100	Trade, Industry and Fisheries
Togvedlikehold AS (Mantena AS)	State owned limited company	Maintenance of rolling stock (rail)	100	Transport and Communications
Companies with sectoral policy objectives				
Andøya Space Center AS	State owned limited company	Space research, space technology	90	Trade, Industry and Fisheries
Avinor AS	State owned limited company	Owns, manages, and develops the national network of airports for civil aviation. National air navigation service (civil and military)	100	Transport and Communication
Bane NOR SF	Statutory enterprise	Rail infrastructure services	100	Transport and Communication
Bjørnøen AS	State owned limited company	Administering assets on Bear Island	100	Climate and Environment
Carte Blanche AS	Limited company with state ownership	Dance ensemble	70	Culture
AS Den Nationale Scene	Limited company with state ownership	Theatre	66.67	Culture
Den Norske Opera & Ballett AS	State owned limited company	Opera and ballet	100	Culture
Export Credit Norway (Eksportkreditt Norge AS)	State owned limited company	Manage the State's export credit scheme	100	Trade, Industry and Fisheries
Enova SF	Statutory enterprise	Promote environmentally friendly technologies	100	Petroleum and Energy
Gassco AS	State owned limited company	Transport of natural gas	100	Petroleum and Energy
Gassnova SF	Statutory enterprise	Carbon capture and storage	100	Petroleum and Energy
Graminor AS	Limited company with state ownership	Development of new and improved plant varieties	28.2	Agriculture and Food
Innovation Norway	Special-legislation company	Business development. Administers business-oriented policy instruments	51	Trade, Industry and Fisheries
Kings Bay AS	State owned limited company	Infrastructure maintenance and development (Svalbard)	100	Climate and Environment
Kimen Sjøvarelaboratoriet AS	Limited company with state ownership	Seeds laboratory	51	Agriculture and Food
Nationaltheateret	State owned limited company	Theatre	100	Culture
Nofima AS	Limited company with state ownership	Fisheries research	56.8	Trade, Industry and Fisheries
Nordisk Institutt for Odontologiske Materialer AS	Limited company with state ownership	Research on dental biomaterials and ensuring that standards are met	49	Health and Care Services
Norfund	Special-legislation company	Investment in developing countries	100	Foreign Affairs
Norwegian Seafood Council (Norges sjømatråd AS)	State owned limited company	Export promotion (fish)	100	Trade, Industry and Fisheries
Norsk Helsenett SF	Statutory enterprise	IT infrastructure for health care services	100	Health and Care Services

Name of company	Type of company	Sector	State share (%)	Ministry responsible
Norsk rikskringkasting AS	State owned limited company	Public broadcasting	100	Culture
Norsk senter for forskningsdata AS	State owned limited company	IT infrastructure for research	100	Education and Research
Norsk Tipping AS	Special-legislation company	Lottery	100	Culture
Nye Veier AS	State owned limited company	Planning, construction, operation, and maintenance of highways	100	Transport and Communications
Reiseplan og billett AS (Entur AS)	State owned limited company	Travel planning public transport, sales and ticketing (railway transport)	100	Transport and Communications
Petoro AS	State owned limited company	Management of State's direct financial interest in oil and gas	100	Petroleum and Energy
Rogaland Teater AS	Limited company with state ownership	Theatre	66.67	Culture
Simula Research Laboratory AS	State owned limited company	Basic research within software engineering and communications technology	100	Education and Research
SIVA SF	Statutory enterprise	Innovation and regional industrial development	100	Trade, Industry and Fisheries
Space Norway AS	State owned limited company	Contribute to operation and development of space related infrastructure	100	Trade, Industry and Fisheries
Statnett SF	Statutory enterprise	Electricity transmission and systems operation	100	Petroleum and Energy
Statskog SF	Statutory enterprise	Administration of public lands, including forests	100	Agriculture and Food
Staur gård AS	State owned limited company	Farming and representational facility	100	Agriculture and Food
Store Norske Spitsbergen Kulkompani AS	State owned limited company	Coal mining (Svalbard)	100	Trade, Industry and Fisheries
Talent Norge AS	Limited company with state ownership	Promote artistic talent	33.33	Culture
Togmateriell AS (Norske tog AS)	State owned limited company	Own and manage rolling stock for passenger railway	100	Transport and Communications
Trøndelag Teater AS	Limited company with state ownership	Theatre	66.67	Culture
UNINETT AS	State owned limited company	Operator for the national research and education network	100	Education and Research
Universitetssenteret på Svalbard AS	State owned limited company	Higher education institution at Longyearbyen	100	Education and Research
AS Vinmonopolet	Special-legislation company	Retail distribution of alcohol	100	Health and Care Services
Helse Midt-Norge RHF	Special-legislation company	Public hospitals and clinics	100	Health and Care Services
Helse Nord RHF	Special-legislation company	Public hospitals and clinics	100	Health and Care Services
Helse Sør-Øst RHF	Special-legislation company	Public hospitals and clinics	100	Health and Care Services
Helse Vest RHF	Special-legislation company	Public hospitals and clinics	100	Health and Care Services

Source: Ministry of Trade, Industry and Fisheries, *The State Ownership Report 2016*, and information provided by the authorities.

3.172. The Government in charge from 2005 to 2013 considered major state involvement in Norway's industrial development both important and justifiable. There was, accordingly, a marked slowdown of privatizations during this period. Nonetheless, ownership stakes were reduced in

Statoil (2007) and Norsk Hydro (2010), the gradual privatization of Cermaq (fish feed and farming) was continued, and the sale of Secora (harbour construction and maintenance) was completed in 2012. Although the Government in office since 2013 has not changed the broad lines of state ownership policy, it signalled early on a willingness to reduce the degree of direct state ownership with time. It also expressed a heightened sensitivity to potential conflicts of interest stemming from the State's diverse roles, risks inherent in the concentration of powers, and drawbacks related to the Norwegian State's limited expertise as an industrial owner. The Government found no compelling reasons to maintain ownership in category 1 enterprises in the long run, and would seek authorization from Parliament to sell the stakes where such authorizations had not already been granted. Parliament has granted authorizations to divest all category 1 enterprises (except Flytoget), and to reduce the stake in Telenor to 34%. The privatization of Cermaq has been completed (in 2014), and the sale of Entra (commercial property) commenced with its public listing in October 2014. The State's ownership in SAS was reduced during 2016 and 2017 to 9.88%. Other divestments may follow, but only under conditions deemed commercially opportune. The policy towards enterprises in categories 2 to 4 is essentially unchanged, although commercial considerations could spark case-by-case changes in ownership in category 3, and alternatives to ownership in category 4 enterprises may be examined in the pursuit of sectoral objectives.

3.173. The present Government has been reluctant to extend state ownership through acquisitions. It has not requested Parliament to grant authorizations to attain or increase stakes in existing companies.¹⁷⁹ However, new companies have been created, notably to speed up the construction of motorways and major highways (Nye Veier AS) and as part of ongoing reforms in the railway sector.

3.174. Principles to be followed in the exercise of government ownership were formalized in 2002 and, except for minor adjustments in 2014, the principles have remained unchanged since then.¹⁸⁰ The 10 principles of corporate governance include equal treatment of all shareholders, transparency in the State's ownership, and systematic safeguard of corporate social responsibility. The State sets performance targets for each company, and exercises its ownership through a company's general meeting. The State does not designate government officials to serve on company boards, but elects board members on the basis of competence, capacity, and diversity. Each company board elaborates objectives and strategies for the company and its own work plan, it ensures an appropriate capital structure, and oversees the company's management on behalf of the shareholders. Management compensation and incentive schemes should be reasonable. Where the State has instructed a company to render certain services, the financial compensation to cover the related costs may only be granted within the constraints of EEA regulations pertaining to state aid, including the rules on services of general economic interest.

3.175. Since 2004, Norway has been of the opinion that it does not maintain any state trading enterprises within the meaning of Article XVII:4(a) of the GATT 1994 and the working definition set forth in the Understanding on the Interpretation of Article XVII.¹⁸¹ This view is reflected in Norway's notifications to the WTO.¹⁸²

3.3.6 Government procurement

3.176. Total public purchases in Norway in 2016 were over 15% of GDP, at Nkr 501 billion, of which Nkr 26 billion was for defence and related services. Excluding defence, central government purchases are roughly equivalent to local government purchases. In addition, general and local government enterprises spent Nkr 75 billion on goods and services in 2016 (Table 3.22).

¹⁷⁹ In 2010, Norsk Hydro acquired assets from Vale S.A., with shares in Norsk Hydro issued as payment. The State's ownership in Norsk Hydro fell from 43.8% to 34.5% as a result of this transaction. Parliament gave authorization to increase state ownership in Norsk Hydro to 39.9%. However, this authorization was never used, and it was cancelled in 2015 as Vale S.A. sold its shares to Norsk Hydro.

¹⁸⁰ The principles are reproduced in Box 8.1 of the 2013-2014 white paper.

¹⁸¹ The state-owned wine monopoly was reorganized with effect from 1 January 1996 to conform to EEA rules. The domestic retail monopoly for wines and spirits was maintained, while all production and trading activities were transferred to a new company (Arcus Produkter AS). Arcus was privatized in 2004. Arcus ASA has been listed on the Oslo Stock Exchange since 1 December 2016.

¹⁸² WTO documents G/STR/N/16/NOR, 21 June 2016, and G/STR/N/15/NOR, 23 June 2014.

Table 3.22 Public Procurement, 2011-16

(NKR billion)

	2011	2012	2013	2014	2015	2016
GDP	2,796	2,968	3,076	3,147	3,118	3,117
Total public purchases	385	398	438	462	478	501
of which						
General government (less defence)	144	153	169	186	195	206
Local government	147	151	162	172	181	193
General government enterprises	69	50	85	81	77	75
Local government enterprises	6	4	5	5	4	6

Source: Statistics Norway, STATBANK online database: Public Purchasing (Table 10807). Viewed at: <http://www.ssb.no/en/statistikbanken>.

3.177. Several changes to public procurement legislation were introduced in 2016, with effect from 1 January 2017, as Norway aligned its legislation with EU rules¹⁸³ and the Decision of the EEA Agreement on Public Procurement¹⁸⁴, including the adoption of the EEA thresholds (Table 3.23). The relevant Norwegian legislation is:

- Public Procurement Act No. 73 of 2016;
- Regulation on Public Procurement No. 974 of 2016;
- Regulation on Public Procurement in the Utilities Sector No. 975 of 2016; and
- Regulation on Concession Contracts No. 976 of 2016.

3.178. In addition, other regulations relating to public procurement were introduced in 2016 including: Regulation on obligation to require the use of apprentices in Public Contracts No. 1708 of 2016; and Regulation on determination of fines pursuant to the Public Procurement Act No. 1842 of 2016. Other regulations related to public procurement such as defence-related procurement, and wages and working conditions remain in force.¹⁸⁵

3.179. While public procurement is decentralized, the Public Procurement Act applies to all public authorities, to public undertakings performing utilities activities, and to other undertakings performing utilities activities on the basis of a special or exclusive right. In addition, the Public Procurement Act applies to subsidized works contracts and services contracts connected to works contracts which are not awarded by the procuring entity itself but where the procuring entity provides a direct grant of more than 50%.

3.180. The legislation on public procurement covers all procurement above an initial threshold of Nkr 100,000 (all thresholds exclude VAT):

- for procurement between Nkr 100,000 and the national thresholds, there are no detailed procedural rules but the procuring entity must follow the general principles set out in the Public Procurement Act of competition, equal treatment, non-discrimination, transparency and proportionality (Article 4);
- for procurement above the national thresholds but below the EEA thresholds, the authorized procurement procedures are open and selective tendering – where at least three are invited to submit bids; and

¹⁸³ Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC. Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts. Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC.

¹⁸⁴ Decision of the EEA Joint Committee No. 97/2016 of 29 April 2016 amending Annex XVA (Procurement) to the EEA Agreement.

¹⁸⁵ Regulation on Complaint Board for Public Procurement No. 1288 of 2002; Defence and Security Procurement No. 1185 of 2013; and Regulation on Wage and Working Conditions in Public Contracts No. 112 of 2008.

- for contracts above the EEA thresholds (Table 3.23), the legislation mirrors the relevant EU directives on public procurement, and the authorized procedures are open tender, restricted tender, restricted followed by negotiations, competitive dialogue, and innovation partnership (Table 3.24).¹⁸⁶

Table 3.23 Public procurement thresholds in 2017

(Nkr, excluding VAT)

Thresholds	Type of procurement	Reference
National threshold values		
Regulation on Public Procurement No. 974 of 2016		
100,000	All purchases covered by the regulations	A. 1.1 (and Public Procurement Act A.2)
1,100,000	Procurement of goods, services and construction work	A.5.1(2)a
1,100,000	Special Services	A.5.1(2)b
EEA thresholds		
Regulation on Public Procurement No. 974 of 2016		
1,100,000	Government authorities' goods and services procurement and planning and design competitions	A. 5.3(1)a
1,750,000	Other contractors' goods and services purchases and planning and design competitions	A. 5.3(1)b
44,000,000	Construction Contracts	A. 5.3(1)c
6,300,000	Contracts on health and social services	A. 5.3(2)
650,000	Special Services Contracts	A. 5.4(8)
	Subcontracts (goods and services) that may be subject to EEA announcement	A. 5.4(8)
8,400,000	Subcontracts (building and construction) that may be subject to EEA announcement	A. 5.4(8)
1,100,000	Government authorities' supply contracts in the field of defence and security (Goods specified in the WTO Agreement on Government Procurement Appendix I, Appendix 4, Item 2)	A. 5.3 (3)
1,750,000	Government authorities' contracts for defence and security (other goods)	A. 5.3 (3)
Regulation on Public Procurement in the Utilities Sector No. 975 of 2016		
100,000	All purchases covered by the regulations	A. 1.1 (and Public Procurement Act A.2)
3,500,000	Goods and service contracts and planning and design contests	A. 5.2(1)a
44,000,000	Construction contracts	A. 5.2(1)b
8,400,000	Contracts on health and social services	A. 5.2 (2)
	Special Services Contracts	A. 5.3 (8)
650,000	Subcontracts (goods and services) that may be subject to EEA announcement	A. 5.3 (8)
8,400,000	Subcontracts (building and construction) that may be subject to EEA announcement	A. 5.3 (8)
Regulation on Concession Contracts No. 976 of 2016		
100,000	All purchases covered by the regulations.	A. 1.1 (and Public Procurement Act A.2)
44,000,000	Concession contracts (construction work and services, except special services and health and social services)	A 5.1(2)
44,000,000	Concession contracts for special services and health and social services	A.5.1 (3)

Source: Public Procurement Act No. 73 of 2016; Regulation on Public Procurement No. 974 of 2016; Regulation on Public Procurement in the Utilities Sector No. 975 of 2016; and Regulation on Concession Contracts No. 976 of 2016.

3.181. All procurement tenders that fall under the public procurement regulation with an estimated value of Nkr 1,100,000 or more must be published on the Norwegian database for public procurement (DOFFIN). For procurement covered by the utilities regulation, the threshold for publication is Nkr 3,500,000, and for concession contracts the threshold is Nkr 44,000,000. If a tender has an estimated value above the EEA thresholds, DOFFIN will forward it to the Tenders Electronic Daily (TED) supplement to the Official Journal of the European Union.

¹⁸⁶ WTO document WT/TPR/S/357/Rev.1, 13 October 2017, Section 3.3.7.1.

Table 3.24 Public procurement procedures according to Regulation on Public Procurement No. 974 of 2016

NKr 100,000 to national thresholds	National to EEA thresholds	Above EEA thresholds
Publication		
	DOFFIN	DOFFIN and forwarded to TED
Selection procedure		
No detailed procedural rules. The procuring entity must follow the general principles set out in the Public Procurement Act.	Open tender Limited tender Possibility of dialogue	Open tender Restricted tender Restricted followed by negotiations Competitive dialogue Innovation partnership
Estimation of value		
Framework agreements and dynamic purchasing agreements Value of all contracts under an agreement		
Innovation partnerships Value of research and development plus value of goods, services, and works acquitted at termination of partnership		
Works Value of construction work plus goods and services necessary for the work		
Lots Total value of all lots, if the total value of all lots is greater than the EEA thresholds, then the EEA procurement rules apply		
Regular/renewable goods and service contracts Actual value of similar contracts from the past 12 months/financial year or the estimated value of contracts to be awarded within 12 months of first delivery		
Leasing/repayment contracts Fixed term up to 12 months – actual value; Fixed term more than 12 months – total value plus residual value; and Indefinite contracts – monthly value multiplied by 48		
Certain service contracts Banking and insurance services and other financial services, and design contracts shall include insurance premiums and banking/engineering fees, commissions, interest, and other forms of payment		
Service contracts with no fixed total price Duration 48 months or less – total value; and Duration more than 48 months monthly value multiplied by 48		
Planning and design contests: To include the payments or premiums for contestants		
Selection criteria		
No specific rules	Selection criteria must be set out in the procurement documents. Regulation states that: "The award criteria ... may, for example, be price, quality, life cycle costs, environment, social considerations and innovation."	Lowest price Lowest life-cycle cost Best relationship price or cost to quality
Minimum deadlines		
No specific rules	No specific deadlines but the contractor must take into account the complexity of the contract and the time required for the suppliers to prepare requests and offers.	Days from publication on DOFFIN/TED Open tender: 30 (15 urgent) Restricted tender: Request to participate: 30 (15 urgent) Invitation for tenders: 25 (10 urgent/ with guiding announcement) Negotiated, prior notice: 25 (10 with guiding announcement) Competitive dialogue: 30 Innovation partnership: 30

Source: Public Procurement Act No. 73 of 2016; Regulation on Public Procurement No. 974 of 2016.

3.182. Complaints concerning public procurement may be brought to the Norwegian Complaints Board for Public Procurement (Klagenemnda for offentlige anskaffelser – KOFA), the courts, or, in some cases, to the EFTA Surveillance Authority. KOFA is an independent body established by the Regulation on Complaint Board for Public Procurement No. 1288 of 2002 to review complaints regarding infringements of public procurement legislation. Complaints must be submitted in writing in Norwegian within six months of conclusion of the contract (two years for direct awards) and accompanied by a filing fee of Nkr 8,000 (Nkr 1,000 for direct awards). Except for illegal direct awards where the public authority has shown gross negligence, KOFA cannot order the suspension of the procurement procedure or make legally binding decisions. For illegal direct awards, KOFA

can make legally binding decisions and impose penalties of up to 15% of the contract value. In 2016, KOFA settled 151 separate cases, with a finding of violation of the regulations in 52 cases.¹⁸⁷

3.183. On the other hand, complaints to the courts may result in legally binding decisions and may be made in parallel to KOFA procedures. As in other areas, decisions of the court of first instance may be appealed to the Appeals Court.

3.184. In cases where the complaint relates to a breach of the EEA Agreement, a complaint may be made to the EFTA Surveillance Authority, with the right of appeal to the EFTA Court. In July 2011, the Authority changed its policy regarding proceedings related to public procurement. Before then, where the Authority was of the view that there had been a breach of rules on public procurement, it would invite the EFTA State to recognize the breach and make a commitment to refrain from such breach in the future. Upon receipt of such recognition and commitment, the case would be closed. Based on case-law from the Court of Justice of the European Union, this policy was changed, and the Authority now pursues cases as long as the contract concerned continues to produce effects and the EFTA State concerned has not taken suitable corrective measures to rectify the breach.¹⁸⁸ In 2016, the Authority delivered to Norway one reasoned opinion (zero in 2017) relating to public procurement.

3.185. Norway is a party to the plurilateral Agreement on Government Procurement and the Revised GPA, which entered into force on 6 April 2014. Thresholds in Norwegian kroner were notified to the WTO in July 2014 (Table 3.25). As at end-February 2017, the most recent notification on statistics of procurement under the GPA was in July 2014 for 2010 to 2012 (Table 3.26).

Table 3.25 Norway GPA thresholds, effective from 15 June 2014

		Goods	Services	Construction services
Central government entities	SDR	130,000	130,000	5,000,000
	NKr	1,153,457	1,153,457	44,363,745
	Applied threshold	1,000,000	1,000,000	39,000,000
Sub-central government entities	SDR	200,000	200,000	5,000,000
	NKr	1,774,550	1,774,550	44,363,745
	Applied threshold	1,550,000	1,550,000	39,000,000
Other entities	SDR	400,000	400,000	5,000,000
	NKr	3,549,100	3,549,100	44,363,745
	Applied threshold	3,100,000	3,100,000	39,000,000

Source: WTO document GPA/W/325/Add.8, 14 July 2014.

Table 3.26 EU procurement and GPA key figures, 2010-12

	2010	2011	2012
Total number of contracts	2,357	2,237	3,850
Total number of suppliers awarded contracts	3,592	3,451	2,457
of which foreign suppliers	143	185	..
Contracts above threshold			
Number	1,899	1,750	3,172
Value (Nkr billion)	23.5	30.0	58.4
Negotiated contracts			
Number	434	415	537
Value (Nkr billion)	8.2	8.8	10.6

.. Not available.

Source: WTO documents: GPA/119/Add.3, 14 July 2014; GPA/114/Add.4, 14 July 2014; GPA/108/Add.6, 14 July 2014.

¹⁸⁷ KOFA online information. Viewed at: <https://kofa.no/Avgjorte-saker>.

¹⁸⁸ EFTA Surveillance Authority online information (viewed at: <http://www.eftasurv.int/press-publications/press-releases/internal-market/nr/1499>), referring to joined cases C-20/01 and C-28/01, Commission v Germany, viewed at: <http://curia.europa.eu/juris/liste.jsf?num=C-20/01&language=en>.

3.3.7 Intellectual property rights

3.186. Norway is a member of the World Intellectual Property Organization (WIPO), and has acceded to the principal international conventions in the area of intellectual property (IP) such as the Paris Convention (1885), the Berne Convention (1886), the Patent Cooperation Treaty (PCT), the 1989 Protocol to the Madrid Agreement Concerning the International Registration of Marks (1996), and the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs (2010).¹⁸⁹ However, Norway remains outside some international IP treaties, including the WIPO Copyright Treaty (WCT), the WIPO Performances and Phonograms Treaty (WPPT), the Patent Law Treaty, and the Singapore Treaty on the Law of Trademarks. Norway is planning to join the WCT, the WPPT, and the Beijing and Marrakesh treaties by 2020.¹⁹⁰

3.187. The EEA Agreement (Annex XVII and Protocol 28) includes provisions on intellectual property rights (IPRs). Most of the EU *acquis* in this area is considered EEA-relevant and has therefore been included in the EEA Agreement and incorporated into national legislation in Norway, including the European Union's Trade Marks Directive, the European Designs Directive, the Patents Directive (Directive on the legal protection of biotechnological inventions), as well as the EU Regulations on supplementary protection certificates for pharmaceuticals and plant protection products. The main features of Norway's IP legislation are presented in Table 3.27. Norway acceded to the European Patent Convention in 2008, and thus also became a member of the European Patent Organization. Patents granted by the European Patent Office (EPO) may accordingly be validated in Norway. The EEA countries are not covered by the European Union trade mark and community design schemes of the European Union. However, Norway adopted a new Trademarks Act in 2010, *inter alia*, to codify the principle of EEA regional exhaustion. EEA regional exhaustion is applicable to copyright, trademarks, patents, industrial designs, layout designs (topographies) of integrated circuits, and plant breeder's rights.

Table 3.27 Overview of IPR protection provided by Norway's legislation, 2017

Subject/legislation	Coverage	Duration	Developments since 2012
Patents Patents Act No. 9 of 15.12.1967, as amended	Any invention susceptible of industrial application	20 years from the application filing date; additional protection of up to 5 years may be granted for medicinal and plant-protection products	Accession to the Agreement on the Application of Article 65 of the European Patent Convention (the London Agreement) took effect on 1 January 2015. Amendments to the Mortgage Act and the Patents Act allow separate security to be offered in patents and patent applications since 1 July 2015. Patents Act amended with effect from 1 September 2017 to provide for six-month extensions of supplementary protection certificates for medicinal products that have been tested for paediatric use in conformity with Regulation (EC) No. 1901/2006 and Regulation (EC) No. 469/2009.
Plant varieties Plant Breeders Right Act No. 32 of 12.03.1993, as amended	Varieties of all genera or species of plants, including hybrids between genera and species	20 years from year of grant, up to 25 years for trees and vines	Amendments to the Mortgage Act and the Patents Act allow separate security to be offered in plant breeder's rights and applications for such rights since 1 July 2015.
Designs Designs Act No. 15 of 14.03.2003	Designs that are novel and have individual character	One or more periods of 5 years from the application filing date, up to a maximum of 25 years	

¹⁸⁹ Norway has acceded to all updates and additions to the Paris and Berne Conventions.

¹⁹⁰ According to the authorities, national law is already in accordance with the material provisions of the WCT and the WPPT as a result of Norway's implementation of the EU Copyright Directive (2001/29/EC).

Subject/legislation	Coverage	Duration	Developments since 2012
Trademarks Trademarks Act No. 8 of 26.03.2010	Trademarks that are capable of distinguishing the goods or services of the trademark holder from others; protection may be obtained by registration or use; unregistered trademarks are protected in a similar way to registered trademarks, and broader protection is afforded to well-known marks	Protection from the application date, and for 10 years from the date of application; renewable indefinitely for periods of 10 years	
Copyright Copyright Act No. 2 of 12.05.1961, as amended	Literary, scientific, and artistic works, including computer programs, data compilations, photographs, databases, performing artists, producers of phonograms, broadcasters, first fixation of films	Life of the author plus 70 years; anonymous works are protected for 70 years from the end of the year in which they were publicly presented; photographs are protected for the life of the photographer plus 15 years, but no less than 50 years from the date in which they were taken; for right holders in published sound recordings, 70 years after the first relevant performance or fixation, for other related rights, 50 years after the first relevant performance, fixation, or broadcast	2012: Copyright Act amended to implement Directive 2010/13/EU regarding use of short news reports 2013: Copyright Act amended to strengthen the enforcement of digital copyright, clarifying Norway's implementation of Directive 2001/29/EC 2014: Copyright Act amended to implement Directive 2006/116/EC, <i>inter alia</i> , extending the term of protection for performers and sound recordings from 50 to 70 years 2015: Copyright Act amended to implement Directive 2012/28/EU ("orphan" works) and introduce a General Extended Collective Licence. The Administrative Regulation to the Copyright Act amended in 2014 (EU services directive) and in 2015 (new measures for conflict resolution for extended collective licences and diligent search for right holders for "orphan" works)
Geographical indications (GIs) Marketing Act No. 47 of 16.06.1972; Trademarks Act No. 8 of 26.03.2010; Food Production and Safety Act No. 124 of 19.12.2003; Regulation No. 698 of 05.07.2002; Regulation No. 370 of 21.03.2013 on wine; and Regulation No. 1148 of 11.10.2006 on spirit drinks and aromatized drinks	Foreign and national GIs	Indefinite	
Layout-designs of integrated circuits Layout Design Act No. 27 of 15.06.1990, as amended	Integrated circuits	10 years from the calendar year in which the layout-design was first commercially exploited anywhere in the world, but maximum 15 years from the year in which the layout-design was created	

Subject/legislation	Coverage	Duration	Developments since 2012
Undisclosed information Marketing Control Act No. 2 of 09.01.2009, Pharmaceuticals Act No. 132 of 04.12.1992, Regulation No. 455 of 06.05.2015 on plant protection products, implementing Regulation No. 1107/2009/EC, and Public Administrations Act of 10.02.1967, as amended	Trade secrets of commercial value; undisclosed data and tests	Trade secrets enjoy protection against unlawful commercial use Undisclosed pharmaceutical data and tests are protected for no less than 6 years; data and tests for agricultural chemical products are protected for no less than 10 years	

Source: WTO Secretariat, based on information provided by the Norwegian authorities.

3.188. Together with its partners in EFTA, Norway has concluded numerous free trade agreements that include provisions on the protection of IP.¹⁹¹ In addition, Norway maintains bilateral science and technology agreements with several partners, notably China, Japan, the Russian Federation, and the United States.

3.189. Patentstyret – or the Norwegian Industrial Property Office (NIPO) in English – is the competent authority for industrial property rights in Norway. NIPO examines applications for patents, trademarks, and industrial designs and assists in the application of international regimes and systems. As a result of Norway's accession to the European Patent Convention, an increasing number of patents in force in Norway are patents granted by the EPO and subsequently validated by NIPO (Table 3.28).¹⁹² Norway's accession to the London Agreement, which entails a significant reduction in the cost of translation, took effect on 1 January 2015.¹⁹³ At the same time, amendments were introduced that allowed for the filing and processing of national patent applications and PCT-applications in English. As a result, NIPO currently also accepts national patent applications and PCT-applications in English, and the share of applications submitted in Norwegian has fallen to less than 30%. For PCT-applications from Norway, international examination may be conducted by the Nordic Patent Institute (NPI), the EPO, or the Swedish Patent and Registration Office (PRV).¹⁹⁴

Table 3.28 Norway: Information regarding trademarks, industrial designs, and patents, 2013-16

	2013	2014	2015	2016
Trademarks applications				
Resident	3,532	3,959	4,097	4,265
Non-resident	2,969	3,008	3,007	3,302
International (Madrid)	9,175	8,483	9,526	8,135
Total	15,676	15,450	16,630	15,702
Industrial designs applications				
Resident	276	302	250	240
Non-resident	187	217	183	157
International (Hague)	830	700	781	832
Total	1,293	1,219	1,214	1,229

¹⁹¹ Provisions on the protection of IPRs have been included in all agreements except for the FTA with Canada, and IPR is a relevant area in ongoing revision processes for existing agreements.

¹⁹² The validation in Norway must be requested within three months of publication of a patent by the EPO.

¹⁹³ Adherence to the London Agreement reduces the translation requirement for a European patent granted in English from the entire patent to the patent claim only. However, a Norwegian translation of the patent claim must always be provided. Applicants may supply the patent specification in Norwegian when no English translation is available.

¹⁹⁴ The establishment of the NPI (by the patent authorities of Denmark, Iceland, and Norway) was a response to the expected loss of business from joining the EPO. Applicants from Sweden are also invited to use the services of the NPI. Conversely, some Norwegian clients use the Swedish Patent and Registration Office to process their PCT patent applications. The NPI also provides patent information services to businesses outside Denmark, Iceland, and Norway.

	2013	2014	2015	2016
Patent applications				
Resident	1,060	1,052	1,120	1,195
Non-resident	146	95	129	121
International (PCT)	538	417	556	746
Total	1,744	1,564	1,805	2,062
Patents granted				
Granted	1,421	1,433	1,449	2,526
European patents validated in Norway	2,220	2,604	3,340	4,495
<i>In force at year end</i>				
Patents	19,418	21,218	23,350	27,657
Designs	7,729	8,402	8,978	9,543
Trademarks	200,336	207,918	214,449	217,437

Source: WTO Secretariat, based on annual reports from the Norwegian Patent Office.

3.190. NIPO acts independently of the ministries and the Government in its handling of individual applications for industrial property rights. Until early 2013, appeals of its decisions were dealt with by a separate department within NIPO. However, as from 1 April 2013, complaints should be addressed to the Appeal Board for Industrial Property Rights (Klagenemnda for industrielle rettigheter – KFIR), an independent judicial entity falling administratively under the Ministry of Trade, Industry and Fisheries.¹⁹⁵ KFIR has, since its establishment, decided well over 100 cases per year, mostly in relation to trademarks. The decisions of KFIR may be appealed further to the courts.

3.191. The Ministry of Culture has the overall responsibility for copyright legislation and policies related to copyright. A proposal for a new Copyright Act, the first overall revision for more than 50 years, was presented to Parliament in April 2017. The aim of the new law is to modernize and simplify the Copyright Act to make it easier to use for all involved. Parliament is expected to discuss the proposed act in spring 2018.

3.192. The enforcement of copyright and related rights is up to the individual right holder, who often transfers the administration and enforcement of rights to a right holder organization according to the type of protected work, such as the organizations for visual artists (BONO), independent producers of phonograms (FONO), performing artists (GramArt), and creators of music (Tono). Under the extended collective licensing system in the Copyright Act, rights are collectively managed by collective management organizations such as Kopinor (reprographic use in education and organizations) and Norwaco (secondary use of audiovisual works in cable networks).¹⁹⁶

3.193. Norway is not a contracting party to the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration. Domestically, geographical indications (GIs) and appellations of origin are protected according to the Marketing Act (1972), the Trademarks Act (2010), and the Food Production and Safety Act (2003). Regulation No. 698 of 5 July 2002 (as amended) establishes the criteria and procedures for the certification of GIs, appellations of origin, and designations with traditional character for food products (other than waters, wine, and spirits). Decisions to grant such protection are taken by the Norwegian Food Safety Authority (Mattilsynet). The applicant, who may be a group of primary producers and/or processors or a legal person (i.e. not a group), then becomes the holder of the registered indication or appellation.¹⁹⁷ The scheme has been administered by the Norwegian Food Branding Foundation (Matmerk) since 2007. Although there are time variations, on average an application is processed in 18 months.

3.194. As of December 2017, 28 Norwegian food specialties had been certified as GIs, appellations of origin, or designations with traditional character, including Norwegian "Pinnekjøtt"

¹⁹⁵ The competence of KFIR extends to decisions taken by NIPO in respect of patents, trademarks, industrial designs, the use of company names, and according to the act of precious metals, as well as decisions of the Plant Variety Board.

¹⁹⁶ The extended collective licence is only used in instances where the individual clearance of rights would be very burdensome or impossible, e.g. for copies made in schools for educational purposes or for retransmission of audiovisual works by cable.

¹⁹⁷ Each decision is promulgated as a separate regulation, e.g. Regulation No. 1235 of 14 November 2006 on the appellation "Gamalost frå Vik".

(lamb), Norwegian "Fenalår"¹⁹⁸; "Stockfish from Lofoten"¹⁹⁹; two types of local cheeses; apples, sweet cherries, and plums (from Telemark or Hardanger); and pears, apple juice, and cider (from Hardanger).²⁰⁰ In addition, the Italian producer associations of three food specialties have sought and been granted protection in Norway, i.e. for Prosciutto di Parma, Parmigiano Reggiano, and Gorgonzola. The three Italian products certified in Norway according to the Norwegian GI rules have equal protection to Norwegian registered products.

3.195. Norway does not participate in the EU registration systems for agricultural products and foodstuffs as agriculture falls outside the scope of the EEA Agreement.²⁰¹ Registration is thus required in the EU system as well as in the national system of Norway to enjoy protection against misuse, imitations, etc. in both markets. However, the EU systems for the protection of GIs for wines, spirits and aromatized drinks have been incorporated into the EEA Agreement, and these GIs thus enjoy protection in Norway as well as in the European Union. Norway has two such GIs – Norsk Akevitt and Norsk Vodka. As for agricultural and food GIs, two Norwegian specialties ("Fenalår" and "Stockfish from Lofoten") have been certified as GIs in the European Union and are thus provided the same protection there as registered products from EU member States.

3.196. Parliament amended the industrial property rights legislation to strengthen the position of right holders in May 2013.²⁰² The amended law, which entered into force on 1 July 2013, includes new provisions on damages, corrective measures, and enhanced criminal sanctions. The right holder may henceforth opt for compensation in the form of a reasonable licence fee, the infringer's profit, or the coverage of his/her own financial loss. Measures may be imposed against infringing goods as well as the main materials and implements used in the manufacture of such goods. The maximum term of imprisonment was increased from three months to one year, rising further to three years in serious cases, e.g. infringement on a commercial scale. In addition, the infringer may be required to pay for the dissemination of a judgement on infringement, and the right holder (including of copyright) may petition the courts to obtain information about the distribution networks and the origin of infringing goods and services. Except for preliminary injunction cases, all cases pertaining to registered industrial property rights are to be handled by the Oslo District Court. According to the Norwegian authorities,²⁰³ the new enforcement regime is at least on par with that applicable within the European Union.²⁰³

3.197. Having ruled on a preliminary order, the district court communicates its decision to Norwegian Customs, which is obliged to identify and detain goods that are suspected to violate IPRs. The customs authority may also take action *ex officio* against such goods. Norwegian Customs received additional funding in 2010 to expand staff and appoint a dedicated coordinator for IPRs. The most commonly detained articles in the last three years (2015-17) have been mobile/smartphone spare parts, wheel-rims, furniture, and (in 2017) pop-sockets for smartphones.²⁰⁴

3.198. In the follow-up to a 2013 white paper²⁰⁵, NIPO, the Ministry of Culture, and Norwegian Customs have set up a joint website to combat pirating and counterfeiting. The website – www.velgekte.no – is part of a wider interagency network that includes the Ministry of Trade, Industry, and Fisheries; the Ministry of Justice and Public Security; the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime; the Norwegian Medicines Agency; the Norwegian Directorate for Civil Protection; and Innovation Norway.²⁰⁶ The information is organized in a manner designed to appeal to the general public as well as to expert

¹⁹⁸ "Fenalår" is a salted and dried leg of lamb or young mutton, marked as "traditional" or "cured" (if also cured). Regulation No. 935 of 3 October 2012 sets requirements for the origin and state of the raw material, the production process, as well as the characteristics of the finished product.

¹⁹⁹ The product is also a registered Protected Geographical Indication in the European Union.

²⁰⁰ In early 2018, three applications were under consideration; for "Setersmør" (butter), "Målselvnepe fra Nord-Norge" (turnip), and "Lynglam" (lamb).

²⁰¹ Although Norway's GI rules on foodstuffs are national, the requirements are based on, and therefore quite similar to, the EU rules.

²⁰² Act No. 25 of 31 May 2013 Amending Legislation on the Protection of Industrial Property Rights, etc.

²⁰³ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of IPRs has not been incorporated into the EEA Agreement and is therefore not binding in Norway.

²⁰⁴ The number of seized articles was highest (over 42,000) in 2017. However, the value of the detained goods declined steadily, from Nkr 34.9 million in 2015, to Nkr 19.7 million in 2016, and Nkr 13.26 million in 2017.

²⁰⁵ Meld. St. 28 (2012-2013), *Unique ideas, major assets*, 12 April 2013.

²⁰⁶ The website includes a version in English.

users. Some 37,000 unique users have visited the website since its launch in March 2015. The website is frequently used by journalists to obtain information about IPR infringements, and the number of visitors always rises in response to awareness campaigns launched by the Governmental Network Against IPR Infringement.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry, and Fisheries

4.1.1 Agriculture

4.1.1.1 Main features

4.1. Lands dedicated to agriculture in Norway total roughly 1 million hectares, i.e. no more than 3% of the entire land mass. Cereals production takes place on approximately one third of the agricultural lands; the rest is for the most part only suitable for the cultivation of grass or used as pastures. As some of the best agricultural lands are located close to major population centres, territories under pressure from urbanization are monitored and subject to controls. Parliament decided in 2004 that the annual loss to urbanization should not exceed 600 hectares. In December 2015, Parliament narrowed this objective further – to 400 hectares by 2020.¹

4.2. Norway had just over 41,000 registered farms at the end of 2016.² The number of farms has been declining steadily for decades. The reduction is currently around 2% per year. Norway's climate generally limits cultivation to a narrow range of crops. Nearly 80% of the farms dedicate land to grass and pastures. Cereals production is dominated by barley, followed by wheat (including feed wheat) and oats. A significant share of the horticultural output takes place in greenhouses. Livestock farming is focused on dairy and meat (beef, pork, mutton, and poultry). The prominence of dairy in Norwegian livestock farming has gradually diminished in favour of meat production, in particular of pork, poultry, and beef (Table 4.1).

Table 4.1 Production income in agriculture, 1989, 2010, and 2016

(NOK million)

	1989	2010	2016
Total production income	24,525	26,132	33,717
Crops (total)	6,092	6,835	8,990
-Grains, dry peas, and oil-seeds	3,053	2,455	3,000
-Potatoes	522	628	689
-Horticultural products (vegetables, fruit, berries and flowers)	2,330	3,514	4,956
-Other crops	187	238	345
Livestock products (total)	17,551	18,414	23,498
-Milk	9,176	7,531	9,430
-Meat, including pork	7,016	9,552	12,340
-Wool	226	122	143
-Eggs	757	837	1,045
-Fur-bearing animals	290	278	358
-Other livestock products	86	93	182
Other income	644	900	976
Changes in stocks	238	-17	252
Expenditures	-17,728	-23,064	-28,800
Net result	6,797	3,068	4,917
Government subsidies	5,054	9,834	10,502
Real interest on borrowed capital	-1,573	-677	-360
Remuneration for labour and own capital	10,277	12,225	15,059

Note: The data for 2016 is preliminary.

Source: WTO (2012); and Budsjettmemnda for jordbruket, *Totalalkylen for jordbruket* (August 2017). Viewed at: https://brage.bibsys.no/xmlui/bitstream/handle/11250/2461373/Totalalkylen-for-jordbruket_2017.pdf?sequence=1&isAllowed=y.

4.3. With total agricultural land roughly stable and a diminishing number of farms, the size of the average holding has more than tripled over the last 40 years. Norwegian farms nevertheless

¹ Registration of arable land ceded to urbanization commenced in 1976. The target set from 2004 was approximately half the annual rate of conversion at that time. In 2015, some 630 hectares of arable land was converted to other uses. Norway's agricultural territory is currently increasing slightly as the rate of land turned into cultivation is about three times higher than the permanent loss.

² Statistics Norway online information. Viewed at: <https://www.ssb.no/jord-skog-jakt-og-fiskeri/statistikker/stjord/aar/2017-01-17>.

remain small by international comparison.³ The land of farms that cease production is normally leased to neighbouring farmers rather than put up for sale. Locally enforced requirements to maintain primary residence and upkeep of all agricultural land restrict the conversion of district farms into recreational properties.

4.4. Norwegian livestock farms, particularly those raising pigs or poultry, have also been expanding in size over the years, although regulations restrict certain lines of production. The domestic supply of milk has been regulated by a system of farm-based production quotas since 1983. A major increase in productivity has led to a reduction in the number of dairy cows of approximately 30% over the last 20 years.⁴ Meanwhile, the number of cattle raised exclusively for meat has more than doubled. Norway had approximately 8,800 dairy farms and 4,900 beef farms in 2015. Regulations limit the size of individual livestock holdings to maintain farms of different sizes, to disperse the production (e.g. to minimize risks related to animal diseases), and to support farming in less favourable areas. An approval system affects the production of chicken, turkey, eggs, and pork. Regulations have become somewhat more flexible recently. The limit on chicken farms that do not require approval was raised from 120,000 chickens for slaughter (or trade) to 280,000 chickens per year between 2013 and 2015.⁵ Milk quotas may be leased or traded, and the production ceiling was raised to 900,000 litres per year per unit as from 1 January 2015.⁶

4.5. Domestic production makes up a large share of domestic consumption of key commodities in Norway. Overall, the self-sufficiency ratio is estimated to have oscillated around 50%, in energy terms, for several decades.⁷ Variations are considerable, depending on the product. Food consumption covered by domestic production is particularly high for fresh milk, cream, and eggs (99%), butter (97%), and cheese (87%). Moreover, a high ratio for meat consumption in general (92%) masks that domestic supply matches demand fully for pork, lamb, and poultry meat, while there are substantial imports of beef and veal (Table 4.2). Imports of cereals are determined by the size of the Norwegian harvest. With favourable weather conditions, the demand for food wheat is nearly met with local production. At the other end of the scale, rice, sugar, many vegetables, and all tropical products are imported due to climatic reasons.

Table 4.2 Key indicators on selected domestic production, average 2012-13

(Million kg, unless otherwise indicated)

Product	Production	Exports	Imports	Consumption
Cheese	91.3	13.7	11.5	89.1
Butter	16.2	0.0	1.3	17.4
Wheat	228.2	0.1	507.4	735.4
Rye	8.4	0.0	19.3	26.6
Barley	511.7	0.1	42.3	553.9
Oats	259.4	0.0	43.2	259.5
Beef and veal	80.9	0.9	16.1	97.3
Lamb	23.3	0.0	3.0	26.5
Pork	129.5	6.3	3.8	127.9
Poultry meat	97.8	0.8	2.4	101.6
Eggs	63.5	1.6	0.8	62.8

Source: WTO Secretariat calculations, based on WTO document G/SCM/N/284/NOR, 7 July 2015.

4.6. Productivity growth has been much higher in Norwegian agriculture than in other sectors of the mainland economy in recent years. Farmers have been swift in adopting new technologies. About one third of the raw milk produced in Norway in 2015 was milked by robots, and the share is expected to reach 50% within the next 3-4 years. Other examples of increasing robotization are

³ Although there are important regional differences, a Norwegian farm covers 23.5 hectares of land on average. By contrast, farms in neighbouring Sweden and Finland are on average twice that size, and almost three times larger in Denmark (67 hectares).

⁴ The annual yield of a Norwegian dairy cow is typically around 7,400 litres of milk at present.

⁵ Similarly, the ceiling for turkey farming was raised from 30,000 to 60,000 slaughtered or traded fowls per year. According to Regulation No. 611 of 1 April 2004, the limitation is calculated over a two-year period, and may be exceeded by up to 15% in any given year provided the production is cut in the subsequent year.

⁶ The previous limits were 412,000 litres/year for individual dairy farms and 773,000 litres/year for co-production units. Leasing of milk quotas was introduced in 2008. As for the sale of milk quotas, up to 80% of the sold quantity may be traded on the open market, while minimum 20% must be sold to the Government. However, the Norwegian Agricultural Authority may also sell quotas to interested farmers. The agreed price was for such sales was NOK 2.50 per litre in 2016.

⁷ Measured according to the protein level of the Norwegian diet the self-sufficiency ratio is around 70%.

"intelligent" feed carts, the use of drones for mapping and measuring, and technologically controlled application of pesticides and fertilizer. A number of research projects funded under the EU Horizon 2020 programme are being developed at the Norwegian University of Life Sciences (NMBU). The Norwegian Institute of Bioeconomy Research (NIBIO) has been operating a Centre for Precision Agriculture to facilitate the development and dissemination of new technologies since August 2016.⁸

4.1.1.2 Policy framework

4.7. The four basic objectives for Norway's agricultural and food policy, as set out in White Paper No. 9 (2011-12) and confirmed in White Paper No. 11 (2016-17), are: food security, production in all parts of Norway, increased value added, and sustainable agriculture with lower emissions of greenhouse gases.⁹ An important element of the food security aspect is the continuous safeguard of a high level of plant and animal health. Nationwide production in a country where conditions may be harsh on agriculture calls for the mobilization of the entire resources of farms, including the development of agro-tourism, forestry, biodiversity, and landscape protection. The Government sees a considerable potential in the development of local food specialties, and encourages further growth in the annual turnover (from NOK 4.8 billion at present towards NOK 10 billion by 2025). Agriculture is part of a "green shift" in the Norwegian economy aiming at reducing the environmental footprint of human activity, including the fulfilment of national targets and international benchmarks and objectives that Norway has signed up to. In 2011, future land-based food production was targeted to rise in line with projected population growth (20% over 20 years). The current Government has not formulated an equally specific production target, but sees potential for increased production in a growing domestic market where such expansion will not run counter to other broad aspects of economic policy.

4.8. The Ministry of Agriculture and Food has prime responsibility for policies relating to agricultural production, food, and management of the entire food chain, acting together with the Ministry of Trade, Industry and Fisheries, and the Ministry of Health and Care Services. The Norwegian Agricultural Authority (Landbruksdirektoratet) is the implementing agency for the Ministry of Agriculture and Food, while it also undertakes studies and provides advice on policy issues.¹⁰

4.9. The Government negotiates key parameters of agricultural policy, including the pricing of certain commodities, forms and level of support, welfare programmes, and implementation issues, with the two nationwide farmers' organizations, i.e. the Norwegian Farmers' Union (Norges Bondelag) and the Norwegian Farmers' and Smallholders' Union (Norsk Bonde - og Småbrukarlag). The practice of annual Basic Agricultural Agreements has been in place since 1950. The system aims at joint agreement between the Government and the two organizations, but the Government may – subject to certain conditions – conclude an agreement with a single partner. Such was the case in 2015 and 2016 (Table 4.3). If no agreement is reached, the Government may invite Parliament to fix the essential parameters (e.g. overall changes in budget transfers and market prices), and let the negotiating parties work out the detailed allocation of Parliament's package.¹¹ Such was the outcome in 2017.

4.10. The Marketing Act (Omsetningsloven) of 10 July 1936 regulates the domestic market for certain meats (beef, mutton, pork, and poultry); milk, butter, and cheese; cereals and oilseeds; potatoes, vegetables, fruit and berries; and fur skins. Further to the Marketing Act, the Norwegian Agricultural Marketing Board (Omsetningsrådet) attempts to balance supply and demand for key Norwegian agricultural produce. Its guiding objectives are: (i) stable producer prices with minor geographical dispersion; (ii) stable market conditions for goods produced; (iii) stable supply in all local consumer markets at relatively uniform prices; and (iv) ensuring that farmers obtain the target prices established in the Basic Agricultural Agreement with the caveat that average

⁸ Information (in English) is available at www.presisjonsjordbruk.no.

⁹ Meld. St. 9 (2011-2012), *Landbruks- og matpolitikken, Velkommen til bords*, and Meld. St. 11 (2016-17), *Endring og utvikling, En fremtidsrettet jordbruksproduksjon*.

¹⁰ The Norwegian Agricultural Authority (Statens landbruksforvaltning) was merged with the agency for the management of reindeer resources (Statens reindriftsforvaltning) in 2014.

¹¹ The annual negotiations may also be settled through arbitration. This option was last exercised in 1978.

observed market prices for the year should stay at, or slightly below, the agreed level.¹² The Basic Agricultural Agreements set target prices for fresh milk, pork, grain, oilseeds, potatoes, and apples and various vegetables.¹³ Revised target prices normally apply from 1 July in the marketing year. Target prices were abolished for beef in 2009, and for sheep meat, lamb, and eggs from 1 July 2013. These products are subject to volume-based regulation, for which the market regulator is obliged to announce "planned average wholesale prices" for consecutive six-month periods. As for poultry, target prices were eliminated in 2007, and there is currently no market regulation. A reference price, determined at the wholesale level, is used for calculation of the applied tariff.

Table 4.3 Main elements of agricultural agreements, 2013-17

Agricultural Agreement	Main elements
2017	Total frame of Nkr 625 million decided by Parliament. Allocation agreed among the negotiating parties. Increases in target prices for milk, cereals, potatoes and vegetables totalling Nkr 150 million; Nkr 410 million to be provided from the state budget. The administrative number of milk producing regions reduced from 18 to 14.
2016	Agreement concluded with the Norwegian Farmers' Union only. Net increase in target prices of Nkr 190 million and additional budgetary transfers of Nkr 100 million within an overall frame of Nkr 350 million. Higher support encouraging the production of cereals for human consumption and high quality beef. Deadline in welfare scheme for dairy cows extended from 2024 to 2034.
2015	Agreement concluded with the Norwegian Farmers' Union only. Higher target prices for milk, pork, potatoes, cereals, fruit and vegetables (Nkr 315 million) within a total frame of Nkr 400 million, including increased budgetary transfers of Nkr 45 million.
2014	Total frame of Nkr 425 million decided by Parliament. Boost in farmers' incomes mainly from higher target prices for milk, potatoes, cereals, fruit and vegetables (Nkr 340 million). Limit on annual deficiency payments to animal farming doubled (to Nkr 560,000 per unit). Ceiling on milk production increased to 900,000 litres/year per production unit.
2013	Total frame for increase in transfers: Nkr 1.27 billion, of which Nkr 500 million provided from the state budget. Target prices raised by Nkr 580 million. Price supplement introduced for high quality beef.

Source: Norges Bondelag online information (annual guidebooks to the agreements). Viewed at: www.bondelaget.no.

4.11. Day-to-day market regulation is performed by the three most prominent producer cooperatives, Tine SA (dairy), Nortura (meat and eggs), and Norske Felleskjøp BA (grains) (Chart 4.1).¹⁴ Market regulation is founded on three basic obligations: (i) the market regulator's acceptance of all produce offered to it; (ii) its obligation to supply all processors on non-discriminatory terms; and (iii) the non-discriminatory provision of relevant market information to all parties concerned. The market regulators also undertake advisory and extension services, consumer information, and promotional activities. Tine Råvare and Nortura are sole market regulators in their respective areas, while Norske Felleskjøp may undertake market regulation together with other grain traders (through tender). No formal market regulator ensures that the target prices are attained in the vegetable sector. However, Grøntprodusentenes Samarbeidsråd (GPS) may occasionally intervene to balance the household market for apples and potatoes.

4.12. The market regulators collect a fee from the remittances for farm deliveries to finance promotional activities and possible actions required to balance markets.¹⁵ The fees are established by the Ministry of Agriculture and Food upon recommendations from the Norwegian Agricultural Authority in consultation with the NAMB, normally for each calendar year, and held in separate accounts for each commodity subject to market regulation.¹⁶ The scope of the measures envisaged

¹² The objectives have remained unchanged since they were set out in White Paper No. 19 (1999-2000) on Norwegian agriculture and food production.

¹³ Ecological produce may be granted an unspecified price supplement.

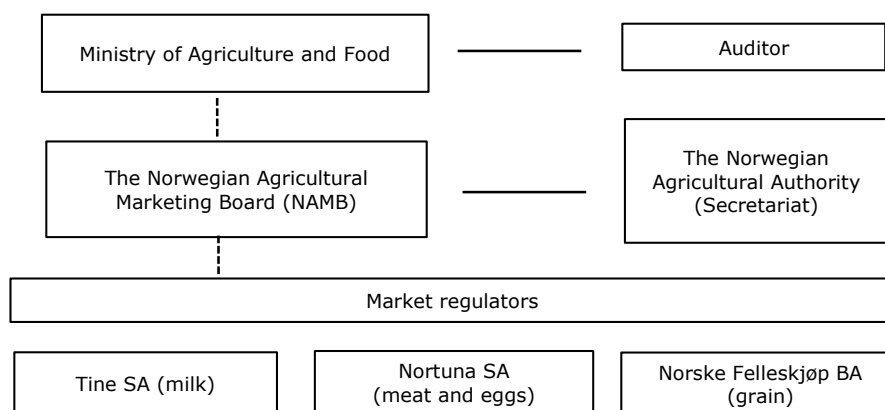
¹⁴ Norwegian farmers have founded 16 producer cooperatives operating under an umbrella organization, the Norwegian Agricultural Cooperatives (Norsk Landbrukssamvirke). For further details regarding these cooperatives, see WTO 2012.

¹⁵ The fees charged during 2016 totalled Nkr 360.2 million. In addition, the Government financed the market balancing levy for horticultural products (Nkr 20.5 million) through the BAA.

¹⁶ On 21 December 2017, the Ministry of Agriculture and Food announced the following market balancing fees applicable in 2018: cow milk – Nkr 0.05/litre; beef and veal – up to Nkr 2.00/kg; sheep and lamb meat – up to Nkr 4.00/kg; pork – up to Nkr 2.00/kg; eggs – Nkr 0.70/kg; chicken – Nkr 0.28/kg; turkey Nkr 0.28/kg; and cereals and oilseeds – up to Nkr 0.08/kg. Viewed at:

depends on the applicable market regulation model (Table 4.4) as well as the nature of the product. For meat, the most common measures are temporary storage or early slaughter. The market for eggs (in shell), which experiences seasonal fluctuations in demand, may be balanced through processing for industrial uses or pre-scheduled slaughtering of hens. Food quality produce (e.g. grain, potatoes, and apples) may be converted to animal feed or industrial usage. A structural surplus has developed in the production of goat milk. The surplus has prompted action such as the blending-in of goat milk in cheese or animal feed, and exportation of frozen curd. The withdrawal of production quotas has also been discussed. Exportation as a market balancing measure is still available to a limited extent for cheese, butter, pork, and processed agricultural products but, subsequent to the Nairobi Package adopted at the Tenth Ministerial Conference in December 2015, will cease to be an option by the end of 2020 at the latest.¹⁷

Chart 4.1 Market regulation for agricultural products



Source: NAMB, Annual report 2016 (in Norwegian).

Table 4.4 Market balancing options

Target pricing	Volume model	Reference pricing
Target price established in the Basic Agricultural Agreement (BAA)	No target price established in the BAA, but market regulator announces the planned average wholesale price for each six months	No market regulator, no market regulation, and no mandatory acceptance or supply provisions
Market regulator ensures that target prices are attained in a balanced market	Storage is subject to ceiling	No attempt to balance the market or regulate the production
If the target price is exceeded, a lower target is fixed for the following year	Exports undertaken in exceptional circumstances (no longer possible from 2021)	A reference price (wholesale) is established, based on the previous year, to determine the applied rate of import duty
The Norwegian Agricultural Authority reduces the import duty if the target price exceeds the upper price limit for two consecutive weeks	Tariff reductions as under target pricing	Tariff reductions effected through administrative procedure when observed market price exceeds upper price limit
Applicable to milk, grain, pork, potatoes, apples and 10 types of vegetables	Applicable to beef, sheep/lamb and eggs	Applicable to poultry, commonly known as "the chicken model"

Source: Norges Bondelag, Jordbruksoppgjøret 2017, Ny jordbruksmelding – ny kurs (in Norwegian). Viewed at: <https://www.bondelaget.no/getfile.php/13764146/Bilder%20fylker/M%C3%B8te%20og%20Romsdal/Dokumenter/2017/Studieheftet%202017%20til%20web.pdf>.

<https://www.regjeringen.no/no/dokumenter/forskrift-om-endring-av-forskrift-29.-juni-1999-nr.-763-om-omsetningsavgift-pa-jordbruksvarer-og-om-overproduksjonsavgift-pa-mjolk/id2582965/>.

¹⁷ Of the 2,036 tonnes of pork exported in 2016, about 93% of the quantity was export for domestic market balancing. The revised quantity ceilings for Norway as a result of the Nairobi Package are 15,929 tonnes (cheese), 1,039 tonnes (butter), and 1,898 tonnes (pork), respectively.

4.13. Price rebates may be required when commodities are diverted to less profitable uses. Such write-downs may be part financed by the market balancing levy (e.g. for grains) or paid by the Government as agreed in the BAA. The latter option is applied to potatoes used in the manufacture of spirits and potato starch, grains, and other domestically produced raw materials used by the processing industry.

4.14. In the dairy sector, production is limited by the milk quota system. In 2016, the available quota for producers of cow milk totalled 1,632 million litres, while actual deliveries amounted to 1,543.2 million litres.¹⁸ The second major market balancing measure is a price equalization scheme that guarantees the milk producer the same price irrespective of his/her location and the end use of the raw milk. In practice, liquid milk and liquid cream are taxed, while goods such as butter, mature cheeses, and milk powder are subsidized.¹⁹ The scheme, which is entirely financed through equalization levies, is also used to support transportation costs from farm to dairy, the distribution of milk in northern Norway, and the delivery of milk free of charge to schools throughout Norway. Export subsidies for hard cheeses, principally Jarlsberg, are also financed through this scheme. Although the exported volumes have been declining, cheese exports still absorb approximately 8% of the raw milk produced in Norway.

4.15. In White Paper No. 11 (2016-17), the Government recommended the continuation of Basic Agricultural Agreements and most existing market regulation measures, but it also made a number of proposals which, in its view, would make the system more flexible and efficient, and stimulate competition in the processing and distribution sectors. Among the principal recommendations were: (i) the transfer of pork from the "target price" to the "volume" model²⁰; (ii) fewer milk producing regions to reduce observed geographical price differences in milk quota sales and leasing; (iii) the purchase of goat milk quotas and termination of market balancing for goat milk; (iv) the discontinuation of the current market regulation for eggs and grains, leaving the Norwegian Agricultural Authority in charge of future balancing measures; and (v) the abolition of welfare schemes in favour of higher deficiency payments per animal. However, most of these proposals remain unimplemented as they have not found a majority in Parliament.

4.1.1.3 Border measures

4.16. The tariffication of non-tariff measures in the Uruguay Round resulted in high bound rates of import duties for key commodities produced in Norway, estimated to be in excess of 300% for live animals, meat, and most dairy products; and above 200% for cereals (Chapter 3). By contrast, commodities not grown in Norway, and consequently imported, have been bound at zero or very low levels of duty.²¹ About 55% of the agricultural tariff lines in Norway's Goods Schedule are expressed as dual bound rates, i.e. the higher of a specific or an *ad valorem* rate. The prevalence of dual bound rates is particularly pronounced for dairy products (100%), animals and products thereof (90%), and cereals and preparations (76%).

4.17. In the 1990s, as new post-Uruguay Round applied rates were being established for agricultural products, Norway generally chose the specific rate option in case of dual bound rates, even though the *ad valorem* rate could have offered more protection. However, the protective effect of a specific duty is eroded as import prices rise. In 2010, Norway decided to move to *ad valorem* import duties on liquid milk and cream, and the switch was also implemented for certain hard cheeses, beef (steaks and fillets), and lamb meat with effect from 1 January 2013.²² According to the Government, there are currently no plans to make further changes in the

¹⁸ Norwegian Agricultural Authority, Annual Report 2016 (in Norwegian). Above-quota deliveries are accepted, but subject to a "penalty" of Nkr 4.80 per litre.

¹⁹ The fees, applicable from 1 July 2017, amounted to Nkr 1.92 per litre for liquid milk and Nkr 13.57 per litre for liquid cream. In 2014, the total fee revenue was Nkr 845 million for liquid milk and Nkr 425 million for liquid cream. Yoghurt and fresh cheeses have been zero rated since 1 July 2016.

²⁰ Under the WTO framework, moving pork from amber box to blue box would reduce Norway's annual outlays on amber box support by some Nkr 2 billion.

²¹ Rice and sugar are special cases. The bound rates for imports for human consumption are zero or very low. Destined for animal feed, where rice and sugar compete directly with domestically grown ingredients, the bound rates are substantially higher.

²² The increase in border protection has facilitated a gradual increase in the target price for raw milk, rising from Nkr 4.41 per litre in 2009-10 to Nkr 5.41 at present. For farmers supplying the dairy cooperative Tine SA, its operating profit produces an important income supplement. The Tine dividend, calculated as a deferred payment on actual milk deliveries from each member, amounted to Nkr 0.66 per litre for 2016.

specific/*ad valorem* tariff structure, taking due account of the interests of Norwegian consumers and Norway's trading partners.²³

4.18. Although Norway's agricultural tariffs are generally high, most high rates are nevertheless well below the bound levels (Chapter 3). The main purpose of the import duties is to ensure that the target prices established in the annual Basic Agricultural Agreements are met, but not exceeded. Upper price limits, ranging from 5% (milk) to 12% (fruit and vegetables), are stipulated for all goods subject to target pricing, "planned average wholesale prices", or reference pricing. Temporary general tariff reductions are triggered automatically when the domestic market price exceeds the upper price limit for two consecutive weeks. However, the Norwegian Agricultural Authority is not obliged to wait for the breach of a price limit, and may announce reduced tariff rates before price pressure builds in the domestic market.²⁴ General tariff reductions are granted automatically to all importers with no quantitative ceilings. In addition, tariff reductions may be granted individually to importers.²⁵ In 2017, the NAA granted 264 general tariff reductions and 3,811 individual tariff reductions.

4.19. Imports are also regulated through tariff quotas, including preferential TRQs, at no or low rates of import duty. Many of the TRQs negotiated within the WTO framework are not effective or fully utilized, as the applied tariff is lower or equal to the in-quota rate or, as in the case of poultry and eggs, self-sufficiency and SPS measures limit the scope for imports. WTO quotas are utilized for importation of beef and lamb. Norway's GSP scheme includes TRQs for beef, honey, and canned vegetables. Beef may be imported duty-free from Namibia, Botswana, and Swaziland under the GSP TRQ or under an additional TRQ within the FTA between Norway and SACU. Preferential TRQs also exist for imports from EFTA/Iceland, Canada, and Egypt (Chapter 3).

4.20. Norway grants TRQs or preferential tariff treatment to the European Union for a range of agricultural products further to Article 19 of the EEA Agreement, which calls for progressive liberalization of agricultural trade between Norway and the European Union. The first bilateral "Article 19" agreement entered into force on 1 July 2003, and a second package of additional preferences on 1 January 2012. Negotiations on a third "Article 19" agreement were concluded in April 2017, and the new package will enter into force once ratified by the parties. Under the new agreement, Norway will expand its existing TRQs for products such as bovine meat, cheese, and meat products (sausages, ham, duck meat, etc.). About 75% of Norway's cheese imports are currently imported at zero duty under the EU TRQ.²⁶

4.21. Protocol 3 of the EEA Agreement regulates the bilateral trade in processed agricultural products such as flavoured yoghurt, chocolate, frozen pizza, soups, and sauces. Designed to ensure a level playing field for the "industrial component" of the final product, Protocol 3 allows Norway and the European Union to compensate for price differences in agricultural raw materials through a complex system of import duties based on product formulas, internal price rebates, and export restitutions. As the price level for basic commodities is generally higher in Norway than in the European Union, the Norwegian Government allocates approximately Nkr 250 million to price rebates and export restitutions through the annual state budget (Chapter 1150).²⁷ Protocol 3 has not been revised since November 2004.²⁸ The European Commission and Norway carry out a joint review of the protocol. The last such review, in 2014, concluded that the protocol functioned according to its objectives.

²³ White Paper No. 11 (2016-2017), p. 60.

²⁴ For example, some 16,000 tonnes of beef was imported at reduced MFN rates during 2016. Except for the month of January and the period 13 September to 21 November, when the ordinary MFN rate applied, the import duty varied between Nkr 18.50 and Nkr 24.50 per kg.

²⁵ Individual tariff reductions are typically granted for specialties that, due to their distinct taste or use, are seen as supplements to, rather than substitutes for, domestic agricultural production.

²⁶ Unlike most of Norway's TRQs, which are auctioned, 4,500 tonnes of the EU cheese quota is not tendered, but allocated by the NAA to importers based on their import history. The new agreement will increase the EU TRQ to 8,400 tonnes, of which 5,000 tonnes are not to be auctioned.

²⁷ The allocations in the budget for 2017 (Item 70.12) amounted to Nkr 225.6 million for internal price rebates and Nkr 27.1 million for export restitutions.

²⁸ The price data for the "agricultural component" has not been adjusted since 1994. Technical complexity and differing price paths for raw materials may lead to overcompensation or insufficient reimbursement of actual cost differences.

4.22. The general import regime for processed agricultural products is supplemented by inward and outward processing schemes. Annual quotas regulate the outward processing of meat and dairy products. The inward processing scheme allows Norwegian food industries to optimize the use of their production facilities.

4.1.1.4 Domestic support levels

4.1.1.4.1 WTO notifications

4.23. The most recent notification by Norway to the WTO on domestic support for agriculture was distributed on 29 November 2017 for the calendar year 2016.²⁹ Although the general trend has been for increased support under the Blue and Green Boxes, most support continues to be provided through the Amber Box, although the range of products supported under the Amber Box has declined (Chart 4.2).

Amber Box

4.24. According to the notification, in 2016, the current total Aggregate Measurement of Support (current total AMS) was Nkr 10.9 billion (Nkr 11.1 billion including *de minimis* support), close to the average of Nkr 10.5 billion for the previous ten years. However, while the total has been relatively constant, the structure of support has changed somewhat. In the mid-2000s, beef, sheep meat, and poultry accounted for about one third of total AMS (including *de minimis*) (36% in 2006), but in 2016 they accounted for 4%. On the other hand, milk and pork accounted for 34% and 16%, respectively, in 2006, and 50% and 22%, respectively, in 2016. The current total AMS is close to the final bound total AMS of Nkr 11,449 million and, in 2008, exceeded it slightly. The change in Amber Box support levels follows changes in policy, as the market price support policies for beef, and sheep meat were amended and reliance on target prices was reduced in favour of production limiting programmes notified under the Blue Box.

Blue Box

4.25. Spending on programmes notified as Blue Box (Article 6.5) increased steadily from 2007 (Nkr 3.7 billion) to 2015, levelling off at about Nkr 5.2 billion for 2015 and 2016. This reflected changes in policy as headage payments under production limiting programmes replaced target prices and some other market price support measures for beef and sheep meat. In addition, in 2014, the quality incentive scheme for beef was introduced.

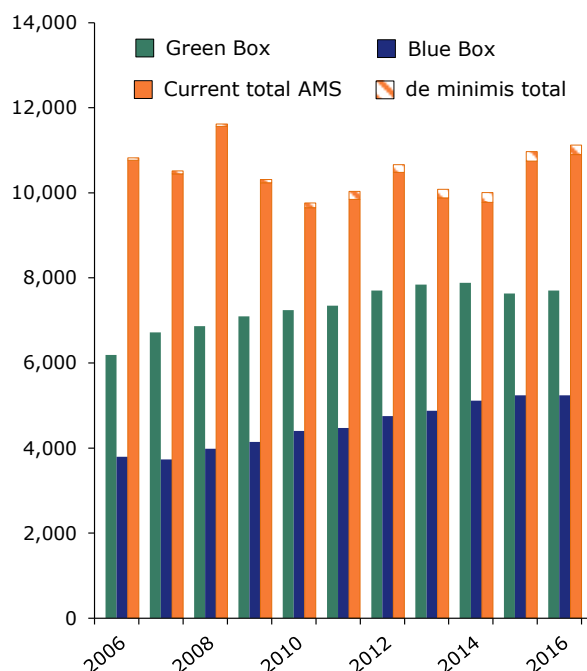
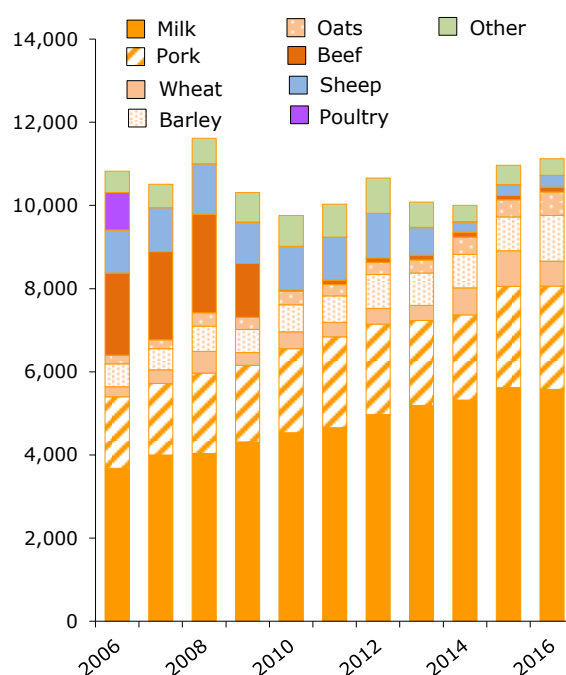
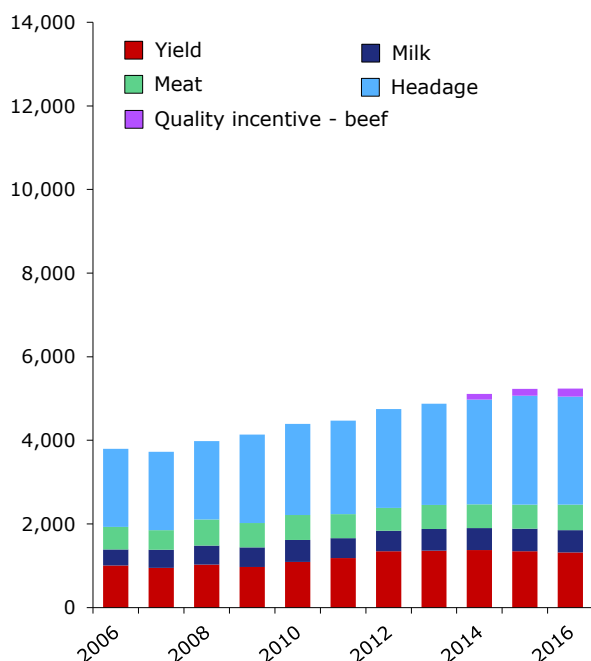
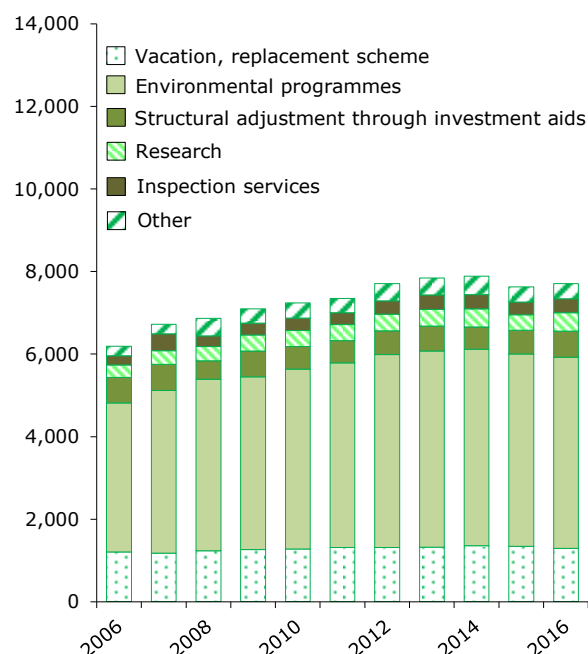
Green Box

4.26. Spending on programmes notified under Annex 2 of the Agreement on Agriculture (Green Box) also increased steadily from 2006 (Nkr 6.2 billion) to 2014 (Nkr 7.9 billion) before falling slightly in 2015 (Nkr 7.6 billion) and 2016 (Nkr 7.7 billion). The main cause for the rise in the total was increased spending on environmental programmes which included both national and regional environmental programmes.

²⁹ WTO document G/AG/N/NOR/94, 29 November 2017.

Chart 4.2 Domestic support notifications, 2006-16

Nkr million

Green, Blue, and Amber Boxes**Amber Box, including de minimis****Blue Box****Green Box**

Source: WTO Secretariat based on WTO notifications.

4.1.1.4.2 OECD monitoring and evaluation of agricultural policies

4.27. Compared to the methodology used to calculate the level of support provided under the Amber, Blue, and Green Boxes in the WTO, the OECD's annual monitoring and evaluation reports on agricultural policies in OECD countries use a different methodology to calculate the value of support which is expressed in a number of indicators, including: the Producer Support Estimate

(PSE) for gross transfers from consumers and tax payers to agricultural producers; the Total Support Estimate (TSE) for transfers to the agricultural sector in general; and the Single Commodity Transfers (SCT) for transfers to specific commodities (Table 4.5). As previously noted, the PSE represents the value of transfers to producers, unlike support under the Amber, Blue and Green Boxes which measure compliance with WTO commitments. Therefore, the value of support as notified to the WTO is neither compatible nor comparable with the values calculated by the OECD.³⁰

Table 4.5 OECD indicators for support to agriculture in Norway, 2009-16

NKt million (except producer NPC)

	2009	2010	2011	2012	2013	2014	2015	2016
Total								
Value of production	22,981	23,894	24,230	25,974	26,682	28,453	30,260	29,716
TSE	22,662	23,480	23,167	26,492	24,581	26,955	28,422	28,261
PSE	21,045	21,777	21,628	24,776	22,792	25,017	26,361	26,279
SCT	11,460	11,862	11,522	14,275	12,172	14,300	15,620	15,837
MPS	8,875	9,176	8,758	11,363	9,142	11,124	12,352	12,455
Producer NPC	1.9	1.9	1.7	1.7	1.7	1.8	1.9	2.0
Milk								
Value of production	6,018	6,197	6,206	6,671	6,878	7,111	7,413	7,456
SCT	3,553	3,422	3,609	4,795	3,609	4,498	5,632	4,963
MPS	2,064	1,751	1,896	2,903	1,680	2,545	3,684	3,047
Producer NPC	1.80	1.61	1.60	1.98	1.47	1.76	2.28	1.94
Beef								
Value of production	3,392	3,372	3,416	3,515	3,990	3,869	4,033	4,182
SCT	1,827	1,917	2,003	2,074	2,102	2,277	2,112	2,493
MPS	1,414	1,496	1,568	1,656	1,654	1,775	1,596	1,845
Producer NPC	2.07	2.14	2.16	2.20	1.98	2.17	1.96	2.19
Pork								
Value of production	2,946	3,137	3,284	3,405	3,188	3,368	3,725	3,762
SCT	1,114	1,524	1,566	1,592	1,295	1,477	1,708	1,684
MPS	1,049	1,452	1,461	1,490	1,196	1,367	1,589	1,546
Producer NPC	1.82	2.18	2.01	1.96	1.80	1.92	1.98	1.94
Poultry meat								
Value of production	1,375	1,468	1,546	1,769	2,073	2,188	1,910	1,996
SCT	770	855	855	1,002	1,054	1,143	707	1,072
MPS	758	855	855	1,002	1,052	1,142	706	1,072
Producer NPC	2.80	2.77	2.35	2.42	2.16	2.25	1.70	2.46
Barley								
Value of production	945	1,081	1,028	1,219	1,234	1,300	1,250	1,243
SCT	583	545	361	355	563	670	597	706
MPS	513	473	287	278	466	583	494	613
Producer NPC	2.37	1.91	1.50	1.38	1.74	1.94	1.80	2.15

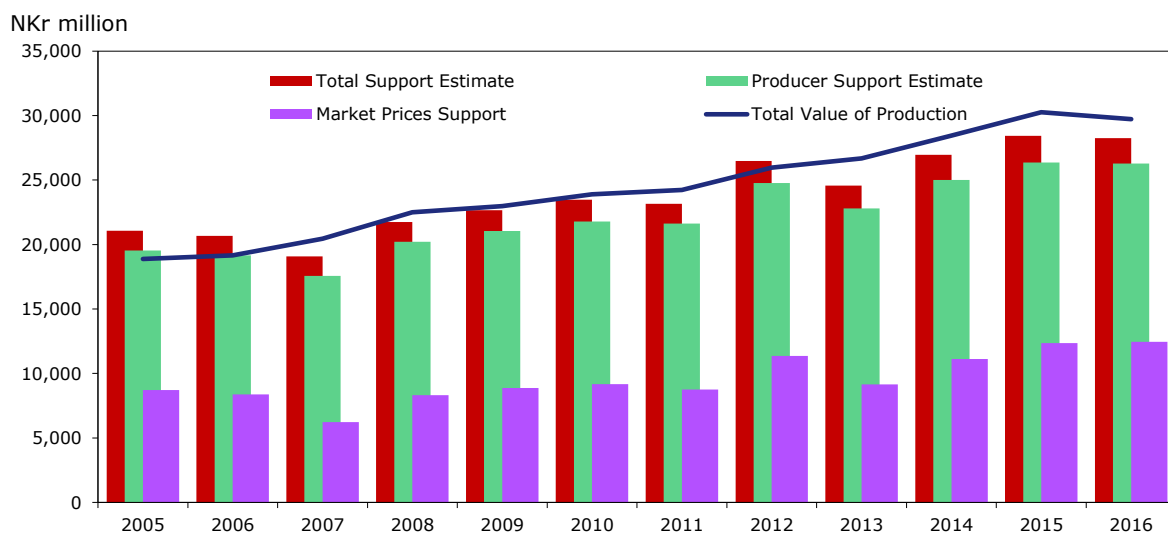
Note: TSE is the annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of associated budgetary receipts, regardless of their objectives and impacts on farm production and income, or consumption of farm products. PSE is the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm-gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on farm production or income. SCT is the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm-gate level, arising from policy measures directly linked to the production of a single commodity such that the producer must produce the designated commodity in order to receive the transfer. Market price support (MPS) is an indicator of the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers arising from policy measures creating a gap between domestic producer prices and reference prices of a specific agricultural commodity measured at the farm-gate level. The Producer NPC is an indicator of the nominal rate of protection for producers measuring the ratio between the average price received by producers (at farm-gate), including payments per tonne of current output, and the border price (measured at farm-gate level).

Source: OECD Producer and Consumer Support Estimates database. Viewed at: <http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm>.

³⁰ WTO document WT/TPR/S/284/Rev.2, 28 November 2013, para. 4.34.

4.28. At 60% of gross farm receipts, the PSE for Norway is three times the average for all OECD members. Having declined during the mid-2000s to Nkr 19.1 billion in 2007, the TSE increased to Nkr 28.4 billion in 2015, and then fell slightly to Nkr 28.3 billion in 2016, although it remains nearly equal to the farm gate value of production of Nkr 29.7 billion. Nearly all the TSE is accounted for by transfers to farmers (the PSE), and nearly half the PSE arises from market price support measures (Chart 4.3). For the OECD, the calculation of market price support includes the difference between producer prices and reference prices which are partly the result of tariff protection. This difference is also reflected in the Producer Nominal Protection Coefficient (Producer NPC) which averages nearly 2, meaning domestic prices are roughly twice external prices.

Chart 4.3 OECD estimates of support to agriculture, 2005-16



Source: OECD Producer and Consumer Support Estimates database. Viewed at: <http://www.oecd.org/chile/producerandconsumersupportestimatesdatabase.htm>.

4.1.2 Forestry

4.29. Norway's forestry sector continues to contribute to the economy, employment and trade, as about 38% of its land area is covered by forests, the majority of which are productive forests.³¹ The amount of productive forests has stayed relatively stable during the review period, decreasing only slightly from 3,507,000 hectares in 2012 to 3,488,000 hectares in 2016, while output has increased.³² According to 2016 figures, forestry products accounts for about one third of Norway's total agricultural exports, or 0.7% of total exports, and about 0.2% of GDP³³ (see Chart 1.3). Norway has capitalized on its forestry natural resource base and has a number of downstream industries including wood products, the pulp and paper industry, and bioenergy products.

4.30. Norway's forests are dominated by spruce, pine, and broad-leaved trees³⁴ leading to round logs and pulpwood as the major forestry products (approximately 55% for sawnwood and 45% for pulp). Forestry output has increased steadily over the review period and has almost reached the levels obtained in the peak production year, 1989-90. The forest growing stock has increased 25% over the past ten years, reaching a total stock of 952 million cubic metres in 2016, with spruce remaining the dominant species, although broad-leaved trees have shown the largest growth³⁵ (Table 4.6). Norway's forests are mainly privately owned, about 86%, often in conjunction with

³¹ Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/topics/food-fisheries-and-agriculture/skogbruk/innsikt/skogbruk/id2009516/>.

³² Statistics Norway online information. Viewed at: <https://www.ssb.no/en/jord-skog-jakt-og-fiskeri/statistikker/lst>.

³³ Statistics Norway online information. Viewed at: <https://www.ssb.no/en/befolkning/artikler-og-publikasjoner/attachment/323659?ts=15f2f92fcb8>.

³⁴ Includes birch, aspen, mountain ash, alder, salix species, oak, and elm, among others.

³⁵ Statistics Norway online information. Viewed at: <https://www.ssb.no/en/jord-skog-jakt-og-fiskeri/artikler-og-publikasjoner/forest-stock-has-grown-25-per-cent-in-10-years>.

agricultural holdings. Public ownership, at all levels including at national, county, and local levels, accounts for about 14% of Norway's forest area.³⁶

4.31. State owned Statskog SF is Norway's largest landowner. The ownership of the company is under the responsibility of the Ministry of Agriculture and Food and the Ministry of Climate and the Environment and was initially provided a contribution from the State of Nkr 1.34 billion. Pursuant to its statutes, it manages, operates, and develops state-owned forests with a view to producing a positive return. As of 2016, it owned 5.9 million hectares, or about 20% of Norway's land area, including 6% of the productive forest area in the country. Statskog manages its forests on a commercial basis, but is also involved in wilderness management and other land and property management. It promotes sustainable management and has cooperation agreements with a number of organizations to work together on common policies in areas such as tourism, hunting, fishing, etc. For the last several years, it has produced positive returns and generally a growing profit, reaching Nkr 130 million in 2016. However, while forestry is important, it generates revenues from its other activities as well. In 2016, 29% of revenues came from forestry and 15% from forest protection compensation.

Table 4.6 Key forestry statistics, 2012-17

	2012	2013	2014	2015	2016	2017 ^a
Productive forest area (1,000 hect.)	.. ^b	.. ^b	.. ^b	.. ^b	.. ^b	8,600
Growing stock (1,000 m ³)	894,131	911,712	929,393	941,659	952,104	..
Spruce	387,843	396,891	407,100	412,984	417,956	..
Pine	278,516	282,790	286,490	289,685	292,030	..
Broad-leaved	227,772	232,031	235,804	238,989	242,117	..
Growing stock (annual per cent change)	1.9	2.0	1.9	1.3	1.1	..
Area re-planted (1,000 hect.)	14.7	14.8	15.8	17.2	18.6	..
New and rebuilt forest roads ^c (no.)	920	920	874	958	959	..
Expenditure on forest roads (Nkr 1,000)	173,218	178,392	186,366	243,172	267,543	..
Commercial roundwood removals (1,000 m ³)	8,787	9,020	9,808	10,112	10,303	10,458
Commercial fuelwood removals (1,000 m ³)	3,018	2,174	1,825	2,039	1,974	..
Employment	6,841	6,670	6,726	6,097	5,540	..
Average timber price (Nkr per m ³)	324	305	346	339	329	347
Revenue, forest and wood industry (Nkr million)	27,399	26,532	27,728	29,429	30,748	..
Production value forest and wood industry (Nkr million)	25,329	24,177	25,252	26,866	28,007	..

.. Not available.

a Preliminary.

b No time series for the country as a whole for the period 2012-16.

c Whole-year roads, summer roads, and winter roads.

Source: Statistics Norway online information. Viewed at: <https://www.ssb.no/en/jord-skog-jakt-og-fiskeri/statistikker/ist>; <https://www.ssb.no/en/jord-skog-jakt-og-fiskeri/statistikker/skogsvei>; Agriculture and Forestry in Norway 2015. Viewed at: <https://www.ssb.no/en/jord-skog-jakt-og-fiskeri/artikler-og-publikasjoner/attachment/286656?ts=158d4106ca0>; Norwegian Agriculture Agency online information. Viewed at: <https://www.landbruksdirektoratet.no/no/statistikk/skogbruk/tommeravvirkning>; Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-6-20162017/id2515774/sec3>.

4.1.2.1 Structure and trade

4.32. While the forestry sector has historically been important in terms of the economy and trade, it has faced a number of important structural changes in recent years, resulting in increased output but less contribution to the economy. In Norway, the sector has seen a decline in employment mainly due to improved efficiency through mechanization and the closure of many of the enterprises involved in the downstream processed wood sector due to falling demand,

³⁶ European Forest Institute online information, "Forest Land Ownership Change in Norway". Viewed at: <http://www.bygdeforskning.no/download.php?filid=155c3393dbeef2->

exchange rate fluctuations, etc. In particular, Norway's downstream industry was highly concentrated in the pulp and paper sector, which has been impacted by the move to digitization; it once exported 90% of its output but this percentage has now significantly declined. This has, in turn, led to the forestry sector's lower contribution to GDP and an increase in raw material exports. Norway's processed wood sector has been in continual decline and its capacity has significantly decreased in the last 10 years.³⁷ Output from the sawnwood sector has remained relatively stable during the review period but is closely linked to construction activity. The closure of plants in the pulp and paper sector has also impacted the sawmilling sector, due to less availability and consequent higher prices. Efforts have increased to support the development of the bioenergy sector but it remains small.

4.33. These changes have also impacted trade patterns. Norway has moved from being a net importer of logs to a net exporter resulting in less value-added production in Norway. Trade in forestry products in the Baltic area has changed significantly during the review period as there are less raw material imports from Russia and Baltic States with more value added occurring in those countries. Norway has adapted, and now trades more with Sweden than in the past, exporting more unprocessed wood products, and has developed more exports to Germany, which was not a market 10 years ago. The majority of Norway's exports go to Sweden and Germany.³⁸

4.34. In 2015, the export value of the Forestry Industry amounted to Nkr 10.8 billion.³⁹ During the review period, there has been a general increase in the exportation of wood and semi-processed wood products, except for a small decline (in both value and quantity) in 2016 for both rough logs and wood pulp (Table 4.7). This slight decline can be attributed to yearly market fluctuations. Norway generally imports more sawnwood than it exports.

Table 4.7 Exports of forestry products, 2012-17

	2012	2013	2014	2015	2016	2017
Value (Nkr million)						
Wood fuel, chips, particles and residues ^a	157.5	158.2	226.6	296.6	292.9	275.4
Wood in the rough ^b	791.6	1,182.0	1,534.1	1,897.7	1,680.4	1,719.0
Semi-processed wood ^c	734.4	836.4	904.8	996.1	1,145.7	1,283.2
Wood pulp ^d	2,180.5	2,038.0	2,262.9	2,230.1	2,149.6	2,385.2
Paper ^e	3,439.8	3,066.4	3,152.5	3,408.0	3,631.2	3,639.1
Books and printed matter ^f	502.8	521.7	532.3	532.6	766.0	630.9
Quantity (million cubic metres)						
Wood fuel, chips, particles and residues ^a	1.1	1.2	1.5	1.8	1.9	2.1
Wood in the rough ^b	1.6	2.6	3.3	4.0	3.5	3.7
Semi-processed wood ^c	0.5	0.5	0.5	0.6	0.6	0.7
Wood pulp ^d	283.7	254.3	339.4	271.6	219.4	238.1
Paper ^e	657.3	666.1	812.8	763.7	684.3	697.4
Books and printed matter ^f	12.2	12.6	15.6	13.3	11.6	8.4

a HS 4401 and 4402.

b HS 4403.

c HS 4406, 4407, and 4409.

d HS 47.

e HS 48.

f HS 49.

Source: Statistics Norway.

4.1.2.2 Policy and developments

4.35. Norway's main forestry policy objectives are to create value through sustainable and profitable forestry operations. It also places a priority on improvement of infrastructure so as to

³⁷ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-6-20162017/id2515774/sec3>.

³⁸ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-6-20162017/id2515774/sec3>.

³⁹ Statistics Norway, "Agriculture and Forestry in Norway 2015". Viewed at: https://www.ssb.no/en/jord-skog-jakt-og-fiskeri/artikler-og-publikasjoner/_attachment/286656?ts=158d4106ca0.

create sustainable forests; as such, Norway continues to increase planting of new forests.⁴⁰ The expenditure on forest road more than doubled during the review period. New planting after harvesting has seen significant increases in recent years, reaching a growth of 8% in 2016, and 38% since 2012. As such, Norway has been working towards increased sustainable harvesting of its forests.

4.36. Norway has increased its emphasis on climate policy targets in the forest policy, aiming at increasing forest carbon stocks and the supply of environmentally friendly raw materials from forests. In 2016, Norway implemented economic support schemes for new mitigation actions in the forest sector. The main measures are increased plant density on sites identified for regeneration, enhanced breeding of forest seedlings, and forest fertilization to promote forest growth.

4.37. As part of its policies to increase absorption of CO₂ emissions, Norway has recently encouraged the use of fertilizers to promote forestry growth. In 2016, over 8,000 hectares of forests were fertilized through a fertilizer subsidy covering 40% of the costs.⁴¹ Other developments have been measures to increase forest density by increased plant density on sites identified for regeneration and improving transport infrastructure for forests. The expenditure on forest roads more than doubled during the review period.

4.38. In 2013, a strategy group comprised of forest owners, industry, and research organizations was formed to deliver guidance and develop policy for the forestry sector. Their output, SKOG22, was developed in 2015 and provides policy direction and recommendations, also noting that the sector has the potential to quadruple in output to at least 180 Nkr billion a year by 2045. There are many recommendations, but for the sub-category of forests, SKOG22 recommends changing the designation of the tax on forest income, improving active ownership by removing the profit tax on the sale of forest lands, and increasing the investment to improve forest roads, rail, and loading docks. Another recommendation encourages economic policies that support a stable currency and provide an equitable operating framework within the EEA and globally.

4.39. Norway's recent white paper on Growth in Competitive Forestry (2016-17) incorporates the main findings of SKOG22 and transmits these as a government policy to the Storting.⁴² While it contains many of the same elements of SKOG22, it states commitments the Government intends to follow with respect to forestry, including: improvements to the transport and loading capacities; capital for the establishment of industry; tax reform; changes to property legislation; development of forest resources and use as climate measures; improvements to research and education; promotion of the use of wood in construction and for biofuels; and international forest cooperation.

4.40. The Norwegian Environment Agency has, in conjunction with the Agriculture and Food Agency, initiated a three-year pilot project for planting new forest areas as climate measures for increased absorption and reduction of CO₂ emissions.⁴³ Certain counties in Norway were selected for the pilot project during 2015-18, and the scheme will be evaluated in 2018. The measures have been financed by the Ministry of Climate and Environment.

4.41. In September 2014, the New York Declaration on Forests was signed by Norway and a number of other governments, as well as certain NGOs and private companies (including some Norwegian companies). The non-binding political declaration aims to cut natural forest loss in half by 2020 and end it by 2030.⁴⁴ As part of the UN Climate Summit, Norway pledged to "work with other consumer countries to promote national commitments that encourage deforestation-free supply chains, including through public procurement policies, and to sustainably source

⁴⁰ Agriculture Directorate, 2016 Annual Report online information. Viewed at: <https://www.regjeringen.no/contentassets/a34b107c580e48288f48c53b5f2b7dbf/arsrapport-ldir-2016.pdf>.

⁴¹ Agriculture Directorate, 2016 Annual Report online information. Viewed at: <https://www.regjeringen.no/contentassets/a34b107c580e48288f48c53b5f2b7dbf/arsrapport-ldir-2016.pdf>.

⁴² Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-6-20162017/id2515774/sec1>.

⁴³ Norwegian Environment Agency online information. Viewed at: <http://www.miljodirektoratet.no/no/Tema/klima/Skog/>.

⁴⁴ UN Climate Change online information. Viewed at: <http://www.un.org/climatechange/summit/wp-content/uploads/sites/2/2014/07/New-York-Declaration-on-Forest-%E2%80%93Action-Statement-and-Action-Plan.pdf>.

commodities such as palm oil, soy, beef and timber."⁴⁵ In 2016, Norway's Government took more concrete steps to commit to zero deforestation by joining the non-binding Amsterdam Declarations, as one of seven European countries. In the declaration, the parties declare their intent to support the private sector goals of sourcing 100% sustainable palm-oil and for deforestation-free supply chains of relevant products by 2020 (see Section 4.1.2.3 on biofuels and policy).

4.42. Norway's "Nature for Life", national biodiversity action plan (2015-16), contains the Government's policy for safeguarding biodiversity in Norway.⁴⁶ The white paper outlining the plan to the Storting identifies the main policies as: more clearly targeted nature management, climate-resilient nature management, strengthening municipal expertise on biodiversity, safeguarding threatened species and habitats, long-term conservation of a representative selection of Norwegian nature, knowledge-based management, and adaptation of tools and instruments to different ecosystems.⁴⁷ The Government considers that any intensification of forestry involving an increase in timber harvesting, as a result of the policies and measures for increasing value creation from forestry, should be combined with stronger environmental measures in forestry. The Nature for Life was followed up by the White Paper on "Growth in Competitive Forestry 2016".⁴⁸ In 2018, the Government plans to outline measures for increased care of key biotopes and more mapping to ensure better management of mature forests.

4.1.2.3 Biofuels and policy

4.43. Norway has placed an emphasis in recent years on the development of its bioenergy sector. The forests in Norway are the most significant source of bioenergy through the burning of wood, wood chips, and pellets. Norway mainly imports liquid biofuels produced from crops such as rapeseed, palm oil and corn. Norway commenced a strategy or plan for bioenergy in 2003 and, in 2008, further developed it and proceeded with an ambitious goal of doubling the level of bioenergy production by 2020.⁴⁹ A number of government policies support the bioenergy sector as well.

4.44. Policy considerations for bioenergy in Norway are a joint effort of the Ministry of Petroleum and Energy, the Ministry of Agriculture and Food, and the Ministry of Climate and the Environment. In 2003, Norway created a Bioenergy Programme under Innovation Norway to support the development of small-scale bioenergy supply. The Programme has so far supported the establishment of nearly 2,000 bioenergy heating facilities capable of producing 384 GWh. In 2017, the Programme's budget amounted to Nkr 67 million.⁵⁰ At the same time, the Ministry of Petroleum and Energy's Enova finances larger scale projects, such as district heating.

4.45. Government policies on a number of fronts have served to increase demand for biofuels. The Government has put forward a ban on the use of fossil oil for heating of buildings from 2020. The regulation has been through an ESA-notification process in accordance with the EEA-agreement, and the regulation will now be officially adopted in domestic legislation. The ban covers the use of oil for both main heating (base load) and additional heating (peak load), in residential buildings, public buildings and commercial buildings. Biofuels are one of several alternative non-fossil sources of heating in buildings. Norway promotes the use of biofuels in transport through a biofuels quota obligation. From October 2015, biofuels sold above the quota

⁴⁵ Rainforest Foundation Norway online information. Viewed at:

<http://www.regnskog.no/en/news/norwegian-state-commits-to-zero-deforestation-1>.

⁴⁶ Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/dokumenter/meld.-st.-14-20152016/id2468099/sec1>.

⁴⁷ Regjeringen online information. Viewed at: <https://www.regjeringen.no/contentassets/902deab2906342dd823906d06ed05db2/en-gb/pdfs/stm201520160014000engpdfs.pdf>.

⁴⁸ Regjeringen online information. Viewed at: <https://www.regjeringen.no/contentassets/ddf3f9c3c3644672baa26d5d46daf543/no/pdfs/stm201620170006000ddpdfs.pdf>.

⁴⁹ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/strategi-for-okt-utbygging-av-bioenergi/id505401/?q=bioenergi>.

⁵⁰ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-6-20162017/id2515774/sec6#KAP5-5>.

obligation are not covered by the road usage tax.⁵¹ Exemption from tax on CO₂ and road tax implies an incentive for biofuels of about Nkr 2,000 per tonne CO₂.

4.46. The fuel distributors are obliged to sell a certain share of biofuels in their total annual sale of fuels. In 2015, the quota obligation was increased from 3.5% to 5.5%, and, in January 2017, new rules came into force to further increase it from 5.5% to 7%.⁵² From October 2017, the quota obligation was further increased to 8%, and from January 2018 to 10%. There have also been requirements to increase the use of advanced biofuels (those based on waste and sustainable sources and not on food crops). Advanced biofuels are double counted within the quota obligation. From 2017, Norway introduced an advanced biofuels quota obligation of 1.5%, which was increased to 2.5% from October 2017 and to 3.5 % from January 2018.⁵³ Thus, Norway is encouraging the production of liquid biofuels for road, air, and marine transport from sustainable forest raw materials.

4.47. In 2016-17, the parliament (Storting) approved a number of decisions impacting the Norwegian biofuels sector. Four resolutions were passed concerning: application of the European Union's sustainability requirements for all biofuels sold in Norway, industry agreement on the sale of palm-free biofuels, review of fees and regulations to promote advanced sustainable biofuels, and a formal request that the Government take measures to legally prohibit public procurement of palm oil-based biofuels by amending the Public Procurement Regulations Act.

4.48. To follow up these decisions, the Ministry of Climate and Environment contacted the EFTA surveillance authority (ESA) to consider the possibility of making the EU sustainability criteria applicable for all biofuels. The Ministry is now evaluating the possibility of national legislation in this area in light of the input from ESA. The Ministry has also issued a public tender for an expert judicial consideration of, amongst other things, whether and how the Government can implement the parliamentary decision taking into account Norway's international legal commitments. Before any possible adoption of a regulation banning the public procurement of palm oil-based biofuels, the Government will evaluate the legal basis of such a regulation. Depending on the result of this evaluation, a regulation would also need to be subject to public consultation before any eventual adoption.

4.1.2.4 Legal framework

4.49. The main legal acts governing the forestry sector in Norway are the Forestry Act, the Land Act and the Concession Act. The Forestry Act mainly concerns forest management. The Land Act specifies among other things that agricultural land including forest land cannot be divided without permission from the local community. The Concession Act specifies that acquisition of agricultural land depends on a concession. Amendments to the Concession Act came into force on 1 July 2017, removing among other things the price control for acquisition of forestry properties.⁵⁴ The Nature Diversity Act is concerned with preservation aspects and principles and measures for sustainable use, species and habitat management, alien organisms and access to genetic material. A number of regulations associated with these acts form the main legal framework for the forestry sector in Norway (Table 4.8). Parts of the legal framework have undergone revision since the last review.

⁵¹ Documents for the public consultation of the possible changes in the product regulation: <https://www.regjeringen.no/no/dokumenter/horing-av-endringer-i-produktforskriften/id2564514/>.

⁵² Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-6-20162017/id2515774/sec6#KAP5-5>.

⁵³ Norwegian product regulation. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2004-06-01-922?q=produktforskriften>.

⁵⁴ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/aktuelt/nytt-rundskriv-m-3-om-konsesjon-priskontroll-og-boplikt-nytt-rundskriv-m-22017-om-driveplikt-etter-jordloven-og-forskrift-om-belopsgrense-ved-gjennomforing-av-priskontroll/id2569005/>.

Table 4.8 Main forestry laws and regulations, 2017

Title	Date	Reference	Overview	Recent amendments
Acts:				
Forestry Act	1/1/2006	27/5/2005 No. 31	To promote sustainable management of forest resources in Norway	28/3/2014 No. 9
Concession Act	1/1/2004	28/11/2003	Controls acquisition of land, including forest property	21/6/2017 No. 99
Land Act	1/7/1995	12/5/1995	Governing the use of land resources	21/6/2017 No. 99 and No. 829, and 16/6/2017 No. 74
Nature Diversity Act	19/6/2009	19/06/2009 No. 100, Section 28, Section 30 and Section 31	Aims to preserve the biological, landscape, geological diversity and ecological processes through conservation and sustainable use	
Regulations:				
Regulation on Subsidies for Industrial and Environmental Measures in Forestry	5/3/2004	4/2/2004 No. 447	Subsidies to forest owners for environmental measures, forest culture, road construction, bioenergy, removal by cable car or horse	28/5/2015 No. 551, on provisions for road construction
Regulation on Sustainable Forestry	1/7/2006	7/6/2006 No. 593	To promote sustainable forestry pursuant to provisions in the Forestry Act	1/10/2015 No. 1155
Regulation on the release of foreign species for forestry purposes	1/7/2012	25/5/2012 No. 460	Release of foreign trees for forestry purposes in Norwegian territory requires permission and an application to the Directorate of the Environment or the county governor (if applicable)	15/3/2013 No. 284
Regulation on the Forest Fund	1/9/2006	3/7/2006 No. 881	For financing sustainable forest management through the compulsory fund	3/3/2014 No. 246 and 2/9/2014 No. 1144
Regulation on trade of timber and wood products originating outside Norway	05/1/2015	24/4/2015 No. 406	Implementing Regulation (EU) No. 995/2010, Regulation (EU) No. 607/2012, and Regulation (EU) No. 363/2012	
Regulation on alien organisms	1/1/2016	19/06/2015 No. 716	Regulation to prevent the introduction or spread of alien organisms through prohibition of importation or authorization through import licensing	11/05/2017 No. 566
Regulation on forest seeds and forest plants	1/3/1996	1/3/1996 No. 291	Regulation to ensure that good quality seed and plants are used to rejuvenate forests, and to ensure genetic diversity	
Regulation on planning and approval of agricultural roads	1/7/2015	28/5/2015 No. 550	Provides for the application and procedures for planning forest roads pursuant to the Forestry Act	1/10/2015 No. 1156
Regulations on forest management for Oslo and nearby municipalities	1/6/1993	2/4/1993 No. 268	Provides planning and general forest management provisions for this area	
Regulation on subsidies for forestry planning for sustainable forestry	4/2/2004	4/2/2004 No. 449	For subsidies to promote sustainable forestry in the short and long term	3/9/2014 No. 1144

Source: Lovdata online information. Viewed at: <https://lovdata.no/>.

4.50. As part of its obligations under the EEA, Norway implemented the European Union's Timber Regulation on 1 May 2015.⁵⁵ The Regulation recognizes the growing demand for timber and timber products and addresses the greater concerns that have been raised with respect to illegal logging and the associated trade of these goods. To combat the illegal logging and trade of goods, the Regulation prohibits placing illegally harvested timber products on the EEA market. The Norwegian Agriculture Agency is responsible for the certification process for wood and wood products originating in Norway, and the Norwegian Environment Agency for rules on the trade in imported wood and wood products.

4.51. The regulation on Alien Organisms of June 2015 was enacted to prevent the introduction and spread of alien organisms that could harm the environment. As a result of this regulation, certain species, including several tree species, are outright prohibited from importation or may be imported under licence after approval of the application (see Section 3.1.5). As the use of invasive alien trees, including Christmas trees, could have an adverse impact on biological diversity, they require a permit granted by the local authorities and these are generally granted for the purpose of Christmas tree production. The Regulation on Subsidies for Industrial and Environmental Measures in Forestry was amended in 2015 to simplify the provisions on subsidies for forestry roads.⁵⁶

4.52. In 2016, the Storting set a new target to set aside 10% of forest lands for protection. A date for reaching this target is not specified. At present, 4% of forest lands are protected as nature reserves.

4.1.2.5 Funding, support, and subsidies

4.53. During the review period, Norway continued to support the forestry sector through a number of subsidies, funds or grants, and private initiatives, with the general level of support for infrastructure to the sector increasing overall. In 2016, the Government supported the forestry sector with a number of different programmes, either directly to the sector or as part of climate control measures, with a number of these schemes being newly established in 2016 (Table 4.9). Norway's most recent notification of subsidies to the WTO has indicated there are five subsidy measures for the forestry sector amounting to approximately Nkr 388 million in 2016.⁵⁷ These include: the Forest Trust Fund Scheme, the Timber Account, Subsidies for Forest Management Planning, Subsidies for Industrial and Environmental Purposes in Forestry, and Subsidies for Forest Infrastructure.⁵⁸ In addition, there are private initiatives and funds applied more generally to all industries that support the sector.

4.54. A significant amount of the monies granted in recent years, Nkr 171 million, has gone to improving infrastructure for forestry, i.e. for the construction or improvement of forest roads and loading platforms.⁵⁹ The Forest Fund, through which forest owners offset parts of the revenues from timber sale in order to secure funds for long-term investments in forestry, did provide tax relief of Nkr 125 million in 2016. There have been a few improvements to the Forest Fund during the review period to improve efficiency, such as changes to accounting rules and procedures and enhanced control mechanisms.

4.55. Many of the recently added subsidies have been aimed at combatting climate change; while these remain relatively small, they were often higher than expected, i.e. in 2016, 8,000 hectares were fertilized compared to a level of 300-500 hectares before the measure was implemented.

⁵⁵ Regulation (EU) No. 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market, EU online information viewed at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32010R0995>. Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/aktuelt/norway-will-implement-eu-timber-regulation/id2406924/>.

⁵⁶ Lovdata online information. Viewed at: <https://lovdata.no/dokument/SF/forskrift/2004-02-04-447>.

⁵⁷ Total of four of the measures in 2016; the other one is a tax scheme.

⁵⁸ WTO document G/SCM/N/315/NOR.

⁵⁹ Agriculture Directorate, 2016 Annual Report online information. Viewed at: <https://www.regjeringen.no/contentassets/a34b107c580e48288f48c53b5f2b7dbf/arsrapport-ldir-2016.pdf>.

Table 4.9 Overview of support to the sector, 2012-17

Fund/scheme		Overview	Financing	Reference
Forest Fund Scheme	Forest Fund	To ensure the financing of sustainable forest management	In 2016, Nkr 489 million was credited and Nkr 391 million was debited to the Forest Trust Fund, resulting in Nkr 1.545 billion as a balance to the fund. Assuming that a forest landowner on average has a tax rate of about 40%, a tax relief on 85% of the major part of the debited amount can be compared to a grant of Nkr 125 million in 2016.	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/skogfond/om-skogfond
	Grants from the interest earned in the Forest Fund	The interest earned on the Fund can be used as subsidies for planning, providing information, and promoting development	In 2017, up to Nkr 3 million may have been provided as subsidies. Seven projects were awarded subsidies totalling Nkr 2.98 million.	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/prosjektmidler-og-forskning/tilskudd-fra-rentemidler
Forest Activity Fund		Increase research and development measures to increase profitability and better manage forests	1 Nkr for each cubic metre sold from forest owners. In 2016, 25 projects were granted support totalling Nkr 11.4 million, mainly to forest owners' cooperations.	http://www.skogtiltaksfondet.no/artikkel.cfm?id_art=2
Forest Research and Development Fund		Promotes research and development issues mainly, but also for information and training in forestry	Nkr 3.99 million was allocated in 2016.	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/prosjektmidler-og-forskning/utvikling-sfondet-for-skogbruk#soeknadsfrister-og-regelverk
Subsidies for industrial and environmental purposes in forestry	Construction and reconstruction of forest roads	To subsidize the construction or reconstruction of forest roads	In 2016, Nkr 94.4 million was paid out.	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/om-skogbruk/tilskudd#nybygging-og-ombygging-av-skogsveier
	Forest quality development	Regeneration, silvicultural activities, thinning, pruning, soil scarification	72.3 million 2016.	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/om-skogbruk/tilskudd#skogkulturarbeid-og-kvalitetsutvikling
	For cable logging and horse transport	Grants for forestry operations by horse or cable extraction systems	In 2016, Nkr 14.3 million was paid out.	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/om-skogbruk/tilskudd#skogdrift-med-taubane--hest-og-a-

Fund/scheme		Overview	Financing	Reference
	Environmental measures in forestry	Subsidies to offset the cost of environmental measures, economic losses from conservation measures, etc.	In 2016, Nkr 1.3 million was paid.	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/om-skogbruk/tilskudd#miljoetiltak-for-aa-ivareta-og-videreutvikle-miljoeverdier
	Subsidies for the development of forestry in a municipality or region	For the development of forests	In 2016, Nkr 3.4 million was paid.	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/om-skogbruk/tilskudd#andre-tiltak--og-prosjekt-for-aa-utvikle-skogbruket
Subsidies for Forest Management Planning		For the preparation of forestry plans, registration of forestry and environmental information	In 2016, Nkr 25 million was paid out.	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/om-skogbruk/tilskudd#skogbruksplanlegging-med-miljoeregistrering
Subsidies for forest infrastructure	For forest terminals and loading docks	For the construction or reconstruction of forest terminal and loading docks	The 2017 budget provides Nkr 46 million in grants.	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/om-skogbruk/tilskudd#toemmerkaier-og-terminaler
Climate measures	Fertilization of forest stands as a climate measure	For fertilization in order to increase production and growth	Up to 40% of the cost of fertilization can be subsidized. In 2016, Nkr 10.9 million was paid.	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/skog-og-klima/gjodslingsom-klimatiltak
	Increased seedling density as a climate measure	To increase the number of plants when re-planting	Up to 80% of the cost of the re-planting. In 2016, Nkr 11.7 million was paid.	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/skog-og-klima/tettere-planting#tilskudd-ved-nyplanting
	Planting on new areas as a climate measure	A three-year pilot project for Rogaland, Nord-Trøndelag and Nordland	..	https://www.landbruksdirektoratet.no/no/eiendom-og-skog/skog-og-klima/planting-for-klima
Innovative use of wood ^a		To increase the use of wood in manufacturing	..	http://www.innovasjon Norge.no/no/finansiering/trebasert-innovasjonsprogram/

.. Not available.

^a Terminated in 2016.

Source: Various sources as specified in the table.

4.1.2.6 International cooperation

4.56. Norway participates in a number of international agreements or initiatives in the forestry sector in order to promote sustainable forests, combat climate change, or prevent deforestation.

Norway participates in the UN Forum on Forests (UNFF) since 2000, working towards international cooperation on sustainable forests worldwide.⁶⁰

4.57. Norway cooperates with other countries in Europe to coordinate forestry policies through FOREST EUROPE. This process has laid the basis for the definition of sustainable forest management which is now utilized in Europe and is developing different tools for implementation. Norway has been an active member of and contributor to FOREST EUROPE and held the chairmanship of the process between 2008 and 2012. This organization is involved in areas such as sustainable forest management, designing certification schemes, and developing guidelines for national forest programmes.

4.58. Norway is contributing to the work of the European Forest Institute, by supporting its multi-donor trust fund for the EFI Policy Support Facility. The EFI Policy Support Facility aims at facilitating better understanding of research on forest-related issues as a basis for policy development.

4.59. Norway's International Climate and Forest Initiative (NICFI) was established in 2008 in conjunction with an intention to allocate up to Nkr 3 billion annually to efforts reducing emissions from deforestation and forest degradation in developing countries (REDD+). NICFI has three objectives, which are: 1) to ensure that the United Nations Framework Convention on Climate Change (UNFCCC) is an effective tool for reducing emission; 2) to contribute to early actions for measurable emission reductions from deforestation and forest degradation; and 3) to promote the conservation of primary forests, due to their particular importance as carbon stores and for their biological diversity. The goals should be achieved while also promoting sustainable development and a reduction of poverty.⁶¹ So far, Norway has contributed Nkr 19.5 billion through NICFI, with the majority of the funding so far going to Brazil through the Amazon Fund, allocated on the basis of the annual results Brazil obtains according to an agreed reference level. Other partner countries with whom NICFI cooperates on a results-based basis include Guyana, Indonesia, Liberia, Colombia and Peru.⁶² In addition, Norwegian REDD+ funding has helped establish and run programmes in the World Bank and the UN, including the multi-donor regional Central African Forest Initiative, supporting national strategies for reducing deforestation.⁶³

4.1.3 Fisheries

4.1.3.1 Overview

4.60. As the world's second largest fish exporter, Norway has continued to promote and sustain its fisheries sector for many years. Fishing has a long tradition in Norwegian culture, economy, and trade. Along the Norwegian coast, fishing is even more important, providing a livelihood and employment to many in more rural areas. The fisheries sector remains one of Norway's important industry sectors in terms of employment and GDP output, and it is also very important for exports, accounting for 12% of 2016 exports or nearly all of Norway's food exports (see Section 1).

4.61. The long-term success of the sector can be attributed to historic fishing rights in some of the world's richest fishing grounds, i.e. North Sea, Barents Sea, polar regions, and Norway's coastal waters; and the more recent expansion and growth of the aquaculture sector, which surpasses traditional fishing in terms of value. But both sectors have not been without challenges as well. The fishing sector has historically been impacted by fleet overcapacity and lower stocks from over exploitation of some species resulting in lower quotas and higher conservation efforts while the aquaculture sector has aimed to manage the particular challenges in the industry which include environmental and health issues, through the establishment of a framework for sustainable

⁶⁰ Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/topics/food-fisheries-and-agriculture/skogbruk/innsikt/internasjonalt-skogpolitikk/id2001110/>.

⁶¹ <https://www.norad.no/en/front/thematic-areas/climate-change-and-environment/norways-international-climate-and-forest-initiative/>.

⁶² Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/topics/climate-and-environment/climate/climate-and-forest-initiative/kos-innsikt/hvorfor-norsk-regnskogsatsing/id2076569/>.

⁶³ In addition to Brazil, Norway has also formed partnerships with Colombia, Congo Basin countries, Indonesia, Guyana, Ethiopia, Liberia, Mexico, Peru, Tanzania, and Viet Nam. Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/topics/climate-and-environment/climate/climate-and-forest-initiative/kos-innsikt/samarbeidspartnere/id2345203/>.

development. During the review period, both sectors have profited from a lower Norwegian krone and higher prices, which has spurred this export-oriented sector.

4.62. The fishing sector can be divided into commercial fishing (i.e. wild catch) and aquaculture. The commercial fishing sector is dependent on yearly quota allocations that are in turn dependent on the stocks and conservation policies. Most of these stocks are shared with neighbouring countries. There are a number of fish species in Norway's wild catch sector, but the most significant in recent years are cod, herring and mackerel. Salmon in particular, and to a smaller extent trout, are the two main fish species produced in Norway's aquaculture sub-sector. There has also been the development of small but growing molluscs & crustacean and seaweed sectors.

4.63. The traditional fishing sector has had slight declines in capacity, as reflected in the lower levels of registered vessels, licences, and registered fishermen due to increased productivity and use of different quota schemes (Table 4.10). The aquaculture sector has, on the other hand, seen increases in production, the number of operating licences and employment. At the same, the losses in production have increased (Table 4.10). The increase in losses is mainly believed to be due to increased mechanical treatments for sea lice as a result of resistance to medical treatment.

Table 4.10 Key statistics on fisheries and aquaculture, 2012-17

	2012	2013	2014	2015	2016	2017
Fishing:						
Registered vessels	6,211	6,126	5,939	5,884	5,947	6,136
Active fishing fleet	5,402	5,188	5,134	5,100	5,201	..
Registered fishermen	12,048	11,611	11,301	11,130	11,249	11,316
Total catch (million tonnes)	2.14	2.09	2.31	2.33	2.07	2.40
Total operating revenues (Nkr million)	8.28	8.11	7.75	9.34	10.74	..
Total operating profit	1.17	0.90	1.00	1.73	2.46	..
Total first-hand price (Nkr million)	14.2	12.7	14.4	16.9	18.7	18.1
Government support (Nkr million)	50	45	45	35	40	..
Aquaculture:						
Number of licences (total)	1,964	1,871	1,929	1,998	2,078	2,196
Seawater sites	1,355	1,277	1,262	1,220	1,197	1,194
Employment (directly)	5,893	5,985	6,274	6,872	7,825	..
Sale of fish (million tonne round weight)	1.32	1.25	1.33	1.38	1.33	..
Live stock ^a per 31 December (No. of fish x1000)	387,482	403,601	403,454	403,743	411,482	..
Loss due to escape ^a (No. of fish x1000)	172	198	273	247	144	18
Losses in production ^b (No. of fish x1000)	41,304	43,671	46,659	55,315	59,024	..

.. Not available.

a Only salmon, rainbow trout and trout.

b Includes mortality, declassified, escapees, others and counting errors in salmon, rainbow trout and trout.

Source: Directorate of Fisheries online information. Viewed at: <http://www.fiskeridir.no/Yrkesfiske/Statistikk-yrkesfiske/Statistiske-publikasjoner/Noekkeltall-for-de-norske-fiskeriene> and <https://www.fiskeridir.no/English/Aquaculture/Statistics>; and Statistics Norway online information. Viewed at: <https://www.ssb.no/en/jord-skog-jakt-og-fiskeri/statistikk/fiskeoppdrett>.

4.64. A number of government organizations play key roles for the sector, including policy, monitoring, research, and control (Box 4.1).

Box 4.1 Fisheries and aquaculture institutions and authorities, 2018

Ministry of Trade, Industry and Fisheries	Ministry responsible for fisheries and aquaculture	www.regjeringen.no/nfd
Directorate of Fisheries	Ministry's advisory and executive body in matters pertaining to fishing and the management of aquaculture. The main tasks involve regulation, guidance, supervision, resource management	www.fiskeridir.no/
The Institute of Marine Research	Serves in an advisory capacity to the Ministry and performs key tasks in the investigation and monitoring of fish stocks and marine mammals, the marine and coastal environment and activities related to aquaculture and sea ranching	www.imr.no/
The National Institute of Nutrition and Seafood Research ("NIFES")	Serves in an advisory capacity on issues concerning nutrition and food safety. The institute also carries out research on nutrition and related subjects. "NIFES" has been merged with the Institute of Marine Research since 2018	www.nifes.no/
The Norwegian Food Safety Authority	Aims, through regulations and controls, to ensure that food is as safe and healthy as possible for consumers and to promote plant, fish and animal health.	www.mattilsynet.no
Norwegian Coast Guard	Fisheries inspection and enforcement procedures.	https://forsvaret.no/fakta/organisasjon/Sjoforsvaret/Kystvakten
The Norwegian Veterinary Institute	The national biomedical research institute in the fields of animal health, fish health and food safety, whose primary function is supply of independent research based advisory support to the governing authorities.	www.vetinst.no/

Source: Information provided by the authorities.

4.1.3.2 Production and trade

4.65. During the review period, a similar trend presented itself with respect to the production and export of Norwegian fish; the value of production and exports has grown steadily and nearly doubled during the period while the quantity has declined slightly. For many years, the aquaculture sector, mainly salmon, has outpaced that of traditional fishing and now accounts for around 70% of exports in value terms. As salmon now commands a higher price compared to most other fish products, its slight growth in quantity output and larger value generated from higher prices has influenced the overall production and export figures during the period (Table 4.11, Chart 4.4). In fact, the export price of salmon more than doubled over the period from Nkr 27.63 to Nkr 60.07, and a similar situation also occurred for trout, while prices for other fish remained relatively unchanged or increased slightly.⁶⁴ In 2016, salmon accounted for 78% of production (value basis), and 68% of exports.⁶⁵ In the traditional wild catch sector, there was a good overall output during the review period despite the conservation challenges posed by certain species, in particular certain coastal stocks.

Table 4.11 Norway's exports of fish, 2012-17

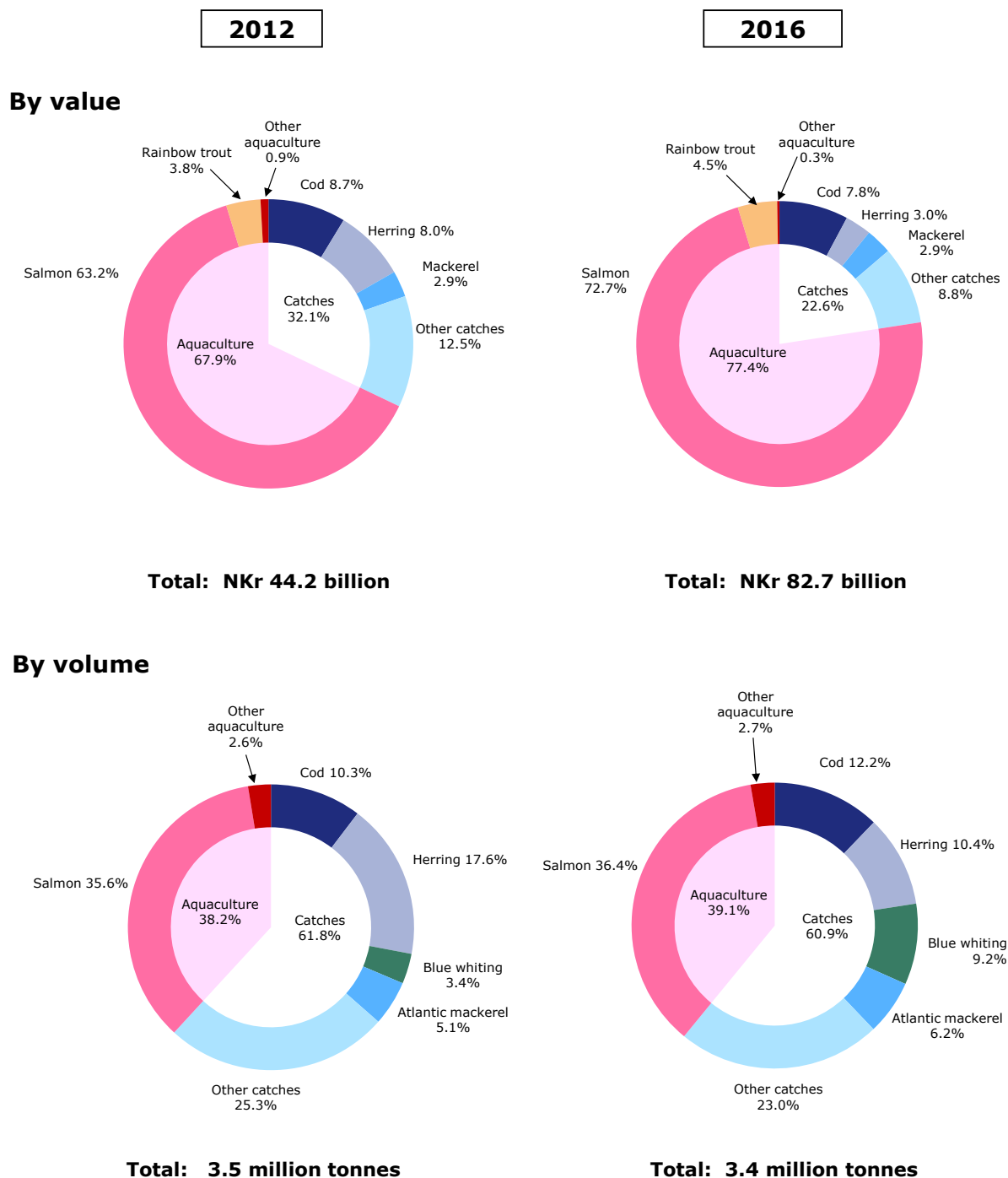
	2012	2013	2014	2015	2016	2017
Value (Nkr billion):						
Fishing	20.5	19.3	22.5	24.4	26.2	26.8
Aquaculture	31.6	42.1	46.2	50.1	65.4	67.7
Total	52.1	61.5	68.7	74.5	91.6	94.5
Quantity (1,000 tonne) ^a :						
Fishing	1,473	1,456	1,631	1,548	1,405	1,576
Aquaculture	1,059	1,017	1,051	1,090	1,049	1,049
Total	2,531	2,473	2,682	2,637	2,455	2,625

a On a product weight basis.

Source: Norwegian Seafood Council online information. Viewed at: <https://seafood.no/markedsinnsikt/nokkeltall/>.

⁶⁴ Norwegian Seafood Council online information. Viewed at: <https://seafood.no/markedsinnsikt/nokkeltall/>.

⁶⁵ Norwegian Seafood Council online information. Viewed at: <https://seafood.no/markedsinnsikt/nokkeltall/>.

Chart 4.4 Fisheries production^a, 2012 and 2016

a Production volume is on a "whole fish equivalent" weight basis. Value is on a landed value basis.

Source: Statistics Norway. Viewed at: <https://www.ssb.no/en/sok?sok=fish>.

4.66. Norway typically exports the majority of its production of fish. In terms of export markets, the majority of Norway's fish is destined for EU markets, which accounted for almost two thirds (64%) of Norway's 2017 exports (value).⁶⁶ The main EU markets were Poland, France, Denmark, and the UK. After the European Union, the next largest markets are Asia (20%) followed by North America (7%). According to the authorities, the termination of the salmon anti-dumping

⁶⁶ Norwegian Seafood Council online information. Viewed at: <https://seafood.azureedge.net/48e23b/contentassets/170cd26752df41a39268e275a03be638/norsk-sjomateksport-2016-presentasjon-no.pdf>.

measure by the United States in 2012 contributed to again making the US market more attractive for Norwegian salmon exporters and in 2014 there was a diversion of approximately 300,000 tonnes of Norwegian seafood exports from traditional markets due to certain restrictions.

4.1.3.3 Fisheries and aquaculture policies

4.67. Norway's policies for the fishing sector have stressed the importance of sustainability. The importance of environmental sustainability and sustainability of the fish stocks is imperative for long-term viability, profitability and value creation for the sector. The Government has been promoting the growth of the aquaculture sub-sector.

4.68. In 2013, a Seafood Industry Committee was appointed by royal decree to examine the competitiveness and other important factors impacting Norway's seafood sector and policies.⁶⁷ Following their work, a number of recommendations were made, such as freer choice of fishing equipment, activity requirements in the Participation Act, better use of residual materials and less waste, etc. The Government followed up the work of the Seafood Industry Committee in a White Paper presented to the Norwegian Parliament in 2015.⁶⁸ Certain recommendations of the Committee were taken on board in the White Paper while others were not. The Parliament debate on the White Paper took place in 2016.

4.69. The Government has put particular emphasis on the aquaculture sector in recent years as it has experienced significant growth. Thus, there has been a priority placed on aquaculture management as demonstrated through a proposal to the Storting in March 2015 on measures concerning salmon and trout aquaculture. It includes a new system for regulating the growth of the salmon farming sector with a particular emphasis on environmental issues.⁶⁹ This proposal stresses that the environmental impact should be the most important criterion when deciding how the salmon farming industry can operate and its production levels. The new system was implemented in October 2017. The Government plans to review the production capacity of the sector in each of the 13 production areas every second year with the first review taking place in 2017/2018. If the capacity is adjusted it is adjusted by 6%. So far, the industry has been offered an increase in production capacity of 2% on existing licences in 8 of 13 production areas. The offer ends 31 January 2018. During the spring of 2018, the Government plans to allocate the last 4% through the allocation of new licences in the same eight production areas.

4.70. In its international work, Norway has actively engaged in the WTO negotiations to prohibit fisheries subsidies. Norway has also had a key role in the conclusion of work on the Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing under the Food and Agriculture Organization of the UN (FAO). The agreement entered into force on 5 June 2016 for Norway and the other signatories. In the FAO, Norway has also participated in the development of voluntary Global Guidelines for Catch Documentation Schemes as part of the work to prevent illegal fish from entering into markets and international trade. Norway also has an agreement with the European Union to implement certain provisions related to the issuing of catch certificates for imports into the European Union following the EU Regulation to prevent, deter and eliminate illegal, unreported and unregulated fishing (IUU). While fisheries management is not part of the EEA Agreement, Norway has traditionally had cooperation with the European Union on the management of certain fish stocks.⁷⁰ In addition, Norway has fully implemented the EU veterinary *acquis* under the EEA, which is important for the management of aquaculture.

4.1.3.4 Legal framework

4.71. There have been a number of developments during the period that have impacted the legal framework (Table 4.12). Most importantly, a new Act concerning first-hand sales of wild living

⁶⁷ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-10-20152016/id2461010/sec1?q=Gjennomf%C3%B8ring%20av%20r%C3%A5fisklova%20og%20fiskeeksportlova%202017#KAP1-1>.

⁶⁸ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-10-20152016/id2461010/sec1>.

⁶⁹ Regjeringen online information. Viewed at: <https://www.regjeringen.no/en/dokumenter/norwegian-salmon-farming/id2461650/>.

⁷⁰ Regjeringen online information. Viewed at: <https://www.regjeringen.no/contentassets/902deab2906342dd823906d06ed05db2/en-gb/pdfs/stm201520160014000engpdfs.pdf>.

marine resources (Fish Sales Organizations Act) was implemented in 2014, which made a number of changes from the previous 1951 Act.⁷¹ The most significant change provides further clarity on the first-hand sale of marine resources by providing procedures for fixing minimum prices and a mediation process for these prices.⁷² Groups or organizations of fishermen, as well as cooperatives and similar organizations are responsible for the first sale of wild marine resources; in particular they are responsible for fixing the price, conditions of sale, and fixing minimum prices.⁷³ If there is no agreement through negotiation and the parties do not agree on minimum prices, the matter shall be submitted to mediation. These changes were introduced to make the process more dynamic and better reflect market conditions.

Table 4.12 Main laws and regulations, fisheries and aquaculture, 2017

Title	What it regulates	Reference
Acts regulating fisheries:		
The Marine Resources Act	Act on the management of wild marine resources	1 January 2009
The Participation Act	Act on right to participate in fishing and catching	26 March 1999
The Fish Sales Organizations Act	Act concerning first-hand sales of wild living marine resources	21 June 2013
Act on Fish Exports		
Act to Regulate Export of Fish and Fish Products		No. 9 of 27 April 1990
Act on Economic Zones		Act No. 91 of 17 December 1976
Acts regulating aquaculture:		
Act on Aquaculture		No. 79 of 17 June 2005, No. 74 of 21 June 2013
Animal Welfare Act		No. 97 of 19 June 2009
Food Safety Act		No. 124 of 19 December 2003
Regulations^a:		
Regulation on quality of fish and fish products		No. 844 of 28 June 2013
Regulation on the implementation of production areas in Norwegian aquaculture of salmon, trout and rainbow trout	Regulates the new growth system described in Section 4.11	No. 61 of 16 January 2017
Regulation on the allocation of increased production capacity in Norwegian aquaculture of salmon, trout and rainbow trout		No. 2397 of 20 December 2017
Regulation on joint responsibility of escaped farmed fish	Regulates the farmers' responsibilities regarding removal of escaped farmed fish from rivers	No. 89 of 5 February 2015
Regulation on catch-based aquaculture		No. 1831 of 15 December 2014
Regulation on special requirements for aquaculture-related activities in or at national salmon rivers		No. 961 of 22 June 2009
Regulation on operation of aquaculture facilities		No. 822 of 17 June 2008
Regulation on production of aquaculture fishery		No. 61 of 16 January 2017
Regulation on fees in connection with aquaculture activities		No. 1597 of 21 December 2001

a There are numerous other fisheries regulations. Some of them permanent regulations, some yearly regulations, and some time-limited regulations, e.g. regulations on areas that are temporarily closed for fishing.

Source: Lovdata online information.

4.72. In 2016, there was a proposal to regulate the tourist fishing sector whereby the Ministry of Trade, Industry, and Fisheries would be granted the authority to do this through amendments to

⁷¹ Lovdata online information. Viewed at: <https://lovdata.no/dokument/NL/lov/2013-06-21-75>.

⁷² Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld-st-12-20132014/id746506/sec2?q=Gjennomf%C3%B8ring%20av%20r%C3%A5fisklova%20og%20fiskeeksportlova#KAP2-4>.

⁷³ It is forbidden to sell fish at a price lower than the set minimum price.

the Marine Resources Act.⁷⁴ At present, the Act has some provisions on this matter. The amendments entered into force on 1 January 2018 together with the new regulation concerning tourist fishing. The regulation states that enterprises which base their business activity on tourist fishing should be registered and that catches taken by their customers should be reported to the Directorate of Fisheries. Also, there have been some developments on the export quotas for tourists as the quota for fish stemming from a registered enterprise has been increased to 20 kg while the export quota for other fish has been reduced to 10 kg (see Section 3.2.3).

4.73. Norway has certain restrictions on the export of fish landed by foreign vessels in Norway as all first-hand sales are to take place through the sales organizations. This is mandatory for both Norwegian and third-country vessels and is also part of the Norwegian fisheries management and control system.⁷⁵ Special provisions allows for the transit of catches from landings by EU vessels, a time-limited arrangement that is currently running to 2020.

4.74. The amount of the fee financing the Norwegian Seafood Council was adjusted both in 2016 and in 2017 due to the strong growth in the value of fish exports. As of 1 January 2017, the fee was 0.3% for salmon, trout and the most important pelagic species. For the remaining species, the fee is 0.75% (see Section 3.2.2).

4.75. The Aquaculture Act was revised and amended in 2013. The chapter regarding reactions and sanctions for infringements was revised. Among several changes, a new article giving the supervisory authority legal foundation to confiscate profits derived from illegal actions was implemented. Additionally, the environmental chapter of the Act was strengthened. A new regulation establishes an organization consisting of all holders of aquaculture licences. This organization is responsible for covering the costs of fishing out escaped aquaculture animals, where the responsible farmer is not identified. Further, new regulations give legal foundation to implement mandatory use of fish unable to reproduce and/or tagging of farmed fish.

4.1.3.5 Fisheries and aquaculture management

4.76. Norway has a long history of fisheries management based on sustainable harvesting and science. As such, the sector has traditionally been highly regulated through licences and quotas.⁷⁶ As many of the areas where Norway conducts fishing, about 90%, involve other countries, it engages in a number of regional or international initiatives on fisheries management (see Section 4.1.3.7) in order to maintain stocks. Allocation of quotas commences with the International Council for the Exploration of the Sea (ICES) where scientists give the basis for the quota recommendations. Thereafter, Norway embarks on its regional and international negotiations for quota allocations and then its domestic process, in consultation with The Institute of Marine Research and domestic stakeholders, resulting in the allocation of quotas.

4.77. The fishing zones under Norwegian jurisdiction include the waters around the Norwegian mainland, Jan Mayen and Svalbard. Norway places emphasis on resource control, and the need to secure information on catches of fish within its juridical waters. Norway has a general ban on foreign fishing around its mainland and Jan Mayen zones. Foreign entities are subject to a licence in order to fish in these areas and are subject to additional regulations and the reporting of catch. The fishing zone around Svalbard does not face a similar ban although it is subject to Norwegian jurisdiction; as such a number of foreign entities are allowed to fish in this zone subject to quota or a set number of fishing days. The Directorate of Fisheries and the Norwegian Coast Guard both have roles in control and enforcement procedures within the jurisdiction of Norwegian waters. The Coast Guard is responsible for resource control at sea while the Directorate of Fisheries is involved in quayside inspections, sales inspections, post-landing audits, electronic reporting and quota control. The fishers' sales organizations also carry out control activity upon landing, as all first-hand sales of wild marine resources must take place through or with the approval of a sales organization.

⁷⁴ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/prop.-119-l-20162017/id2549577/sec1>.

⁷⁵ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld-st-12-20132014/id746506/sec2?q=Gjennomf%C3%B8ring%20av%20r%C3%A5fisklova%20og%20fiskeeksportlova#KAP2-4>.

⁷⁶ Regjeringen online information. Viewed at: <https://www.regjeringen.no/globalassets/upload/fkd/brosjyrer-og-veiledninger/folder.pdf>.

4.78. Management of the aquaculture sector involves several regulations under the auspices of the Directorate of Fisheries, in particular for licensing, fees, and controls (Table 4.12). A new regulatory proposal for the sector was presented to the Storting in 2015 on growth and environmental aspects in particular, with the new system now in place (see Section 4.1.3.3).

4.79. In 2015, the Government introduced, for a test period of two years (now expired), a new kind of aquaculture licence (innovation licence) for the salmon sector which is a hybrid between a research licence and a regular commercial licence, allowing for aquaculture innovations to be tested on a larger commercial scale. Innovation licences are awarded to projects that potentially constitute significant innovation and investment by the applicant. At the end of the project, the innovation licence can be converted to a regular commercial licence for a fee of Nkr 10 million.

4.80. Land-based aquaculture was until recently subject to the same licensing requirements as traditional fish farming in sea-cages, but new regulations in June 2016 removed the fee and the need for renewal. New regulations regarding technical standards for land-based aquaculture facilities were implemented in 2017. The purpose of the regulation is to prevent aquaculture animals from escaping and ensure that the aquaculture facilities maintain a proper technical standard.

4.1.3.6 Support schemes

4.81. There have been no major changes in the Norwegian support schemes for the sector during the review period. However, focus has changed in support policy from industry-specific programmes to general programmes where, for example, fisheries researchers now compete with others when applying for funds. In addition to the support schemes noted herein (Table 4.13), Norway has an export fee on fish supporting marketing efforts (Section 3.2.2), lower VAT rates (Section 3.1.4.1), and certain excise tax refunds (Section 3.1.4.2) for the sector.

4.82. According to figures provided by the Directorate of Fisheries on government support for the fishing fleets, the amount of support has gradually been reduced during the review period and now mainly consists of less than Nkr 50 million for social benefits and transport support. Earlier during the review period there were other programmes that have since been terminated. There are also a number of general support schemes in which fisheries and aquaculture sectors benefit as well as other sectors. There are a number of programmes under Innovation Norway, e.g. financing and loans for small and medium businesses, financing for local food experiences, and assistance for local food producers.

Table 4.13 Support schemes specific to fishing and aquaculture, 2017

Scheme	Summary	Government entity	Amount of support
Guarantee scheme for fishermen	Ensures a minimum income for fishermen under certain conditions	Ministry of Trade, Industry, and Fisheries	Nkr 1.35 million in 2017
Transport support	Support for transfer of catch from harbour to production site	Ministry of Trade, Industry, and Fisheries	Nkr 35 million in 2017
Sealing	Support for the sealing industry	Ministry of Trade, Industry and Fisheries	Nkr 2.5 million in 2017
Aquaculture (HAVBRUK)	Financing for aquaculture focusing on profitability and value creation in the salmon sector or the commercialization of new species	The Research Council of Norway	..
MABIT	Funding for increased value creation in fisheries and aquaculture	Consortium of government, regional, and private sources	Nkr 8 million per year
CO ₂ fuel tax refund	Partial Refund of the CO ₂ and basic tax on mineral fuels for the fishing fleet	Guarantee Fund for the Refund of Mineral Fuel Tax	Nkr 470 million in 2016

.. Not available.

Source: Ministry of Trade, Industry and Fisheries.

4.1.3.7 International and bilateral agreements

4.83. Norway is party to a number of agreements and annually carries out negotiations with international partners for the joint management of fisheries resources. There are three types of agreements to which Norway is a party: bilateral agreements, coastal state agreements, and regional fisheries management organizations. The overall goals for Norway partaking in such agreements are to provide sustainable management of marine resources, to secure Norway's share in the allocation, and to ensure satisfactory control and enforcement.⁷⁷ In 2017, Norway had five bilateral agreements, was a party to four coastal state agreements, and participated in seven regional fisheries management organizations (Table 4.14).

Table 4.14 Overview of Norway's international agreements in fisheries, 2017

Agreement	Overview	Details
Bilateral:		
Norway–Russian Federation	Quotas on shared stocks; access to fishing in each other's waters; some quota exchange, joint research, management and control measures	Norway's 2017 quotas on jointly managed stocks in the Barents Sea (tonnes): cod, 378,523; haddock, 113,564; halibut, 12,225; deepwater red fish, 19,600
Norway–European Union	Quotas on shared stocks; access to fishing in each other's waters and quota exchange; joint management and control measures	Norway's 2017 quotas on jointly managed stocks in the North Sea (tonnes): cod 6,667; haddock 7,238; saithe 52,399; whiting 1,300; plaice 9,094; herring 139,666 ^a
Norway–Faroe Islands	Exchange of quotas in each other's waters and some access to fishing in each other's waters; cooperation on control	Norway's 2017 quotas (tonnes): mackerel, 4,979; ling, 2,000; cusk, 1,700; pollock, 567; other species, 800
Norway–Iceland	Exchange of quotas in each other's waters; cooperation on control	Norway's 2017 quotas (tonnes): bottomfish, 500; capelin 31,165
Norway–Greenland	Exchange of quotas in each other's waters; cooperation on control and research	Norway's 2017 quotas (tonnes): Greenland halibut, 900 (west Greenland); Greenland halibut, 400 (east Greenland); redfish, 800; cusk, 340; halibut, 10; other species, 150; cod 1,200
Coastal state:		
Mackerel	The coastal states are Norway, Iceland, European Union, Faroe Islands and Greenland. ^b The Russian Federation is an observer	Norway's 2017 quota – 229,821 tonnes
Herring	The coastal States are Norway, Iceland, European Union, Faroe Islands and the Russian Federation	Norway's 2017 quota – 432,870 tonnes
Blue whiting	The coastal states are Norway, Iceland, European Union and the Faroe Islands. The Russian Federation is an observer	Norway's 2017 quota – 410,892 tonnes
Deepwater red fish	The coastal states are Iceland, Greenland, and the Faroe Islands. Norway, the European Union, and the Russian Federation are in the process of participating	Norway's quota 2017 – 21,600 tonnes
Regional fisheries management:		
North East Atlantic Fisheries Commission (NEAFC)	Denmark (on behalf of the Faroe Islands and Greenland), the European Union, Iceland, Norway and the Russian Federation	Rational management and control of marine species in the convention area
Northwest Atlantic Fisheries Organization (NAFO)	12 parties	Contribute to long-term conservation, optimal exploitation and rational management of fishery resources in the convention area

⁷⁷ Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-28-20162017>.

Agreement	Overview	Details
South East Atlantic Fisheries Organisation (SEAFO)	Angola, Namibia, South Africa, European Union, Norway, Japan and South Korea	Long-term and sustainable use of marine resources
Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR)	24 parties plus the European Union	Conservation and rational exploitation of the living marine resources in Antarctica
International Commission for the Conservation of Atlantic Tunas (ICCAT)	51 parties	Preserve and manage tuna and tuna-like species in the Atlantic Ocean and the Mediterranean
North Atlantic Marine Mammal Commission (NAMMCO)	Norway, Greenland, the Faroe Islands and Iceland	Cooperation on research, conservation and management of marine mammals in the North Atlantic
International Whaling Commission (IWC)	89 parties	Conservation of whales and science-based management of whaling

a There are also joint management of certain stocks in certain areas.

b In recent years not all the coastal states have joined in a common agreement.

Source: Information provided by the authorities and Regjeringen online information. Viewed at: <https://www.regjeringen.no/no/dokumenter/meld.-st.-28-20162017>.

4.2 Mining and Energy

4.84. According to preliminary data published by Statistics Norway, Norway's production of primary energy equalled 2,428 TWh in 2016. Natural gas accounted for 49% of this output, followed by crude oil and oil products (44%), and electricity (6%). Norway's offshore petroleum sector is thus the dominant source of supply of energy, and about 95% of its output is exported.⁷⁸ The composition of the domestic energy balance, some 215 TWh in 2016, is much more diverse, and includes the consumption of biofuels (12.6 TWh) and district heating (5.5 TWh). The energy intensity of the Norwegian economy has been declining. Measured per capita, the consumption of energy fell by 8% between 1990 and 2014. The reduction is explained by shifts in economic output (towards an ever larger services economy) as well as by higher energy efficiency.

4.85. Unlike many other countries, Norway's domestic energy market is characterized by high reliance on electricity, both by power-intensive industries (metals, chemicals, pulp and paper) as well as by households and businesses/public services (for interior heating, warm water, and lighting). The role of fossil fuels in heating, important due to the climate, has been declining. In June 2017, the Government introduced a ban on the use of mineral oils in the heating of buildings, including residential homes, starting from 1 January 2020.⁷⁹ Hydrocarbons are thus mainly used in the transport sector and, even there, the use of electricity is spreading. Although still mostly an urban phenomenon, the number of electric vehicles increased by 40% during 2016, and total registrations passed the 100,000 mark in early 2017. Pilot projects have been developed for the use of electricity in public transport, including coastal traffic. The Norwegian Water Resources and Energy Directorate has estimated that a complete shift to electricity in the transportation of passengers (including all passenger motor vehicles) would expand the domestic consumption of electricity by 7 TWh annually, an increase that could be absorbed entirely within the production capacity of existing power stations. Based on current transportation volumes, a similar shift for all road transport would imply an increase in the annual consumption of electricity of 12 TWh, or 17.5 TWh if extended to all transport sectors (except air transport).⁸⁰

4.2.1 Hydrocarbons

4.86. Although Norway's production of petroleum has declined by about 11% since the peak in 2004, the output of crude oil, natural gas, natural gas liquids, and condensates is still considerable (Chart 4.5). In 2016, Norway ranked 14th in the world among the crude oil producers, and it was the world's eighth largest exporter of crude oil. Norway was the third largest exporter of natural gas in the world in 2016. Crude oil production peaked in 2001 at about 3 million barrels/day.

⁷⁸ As Norway also imports crude oil and petroleum products, net exports amount to 85% of the production.

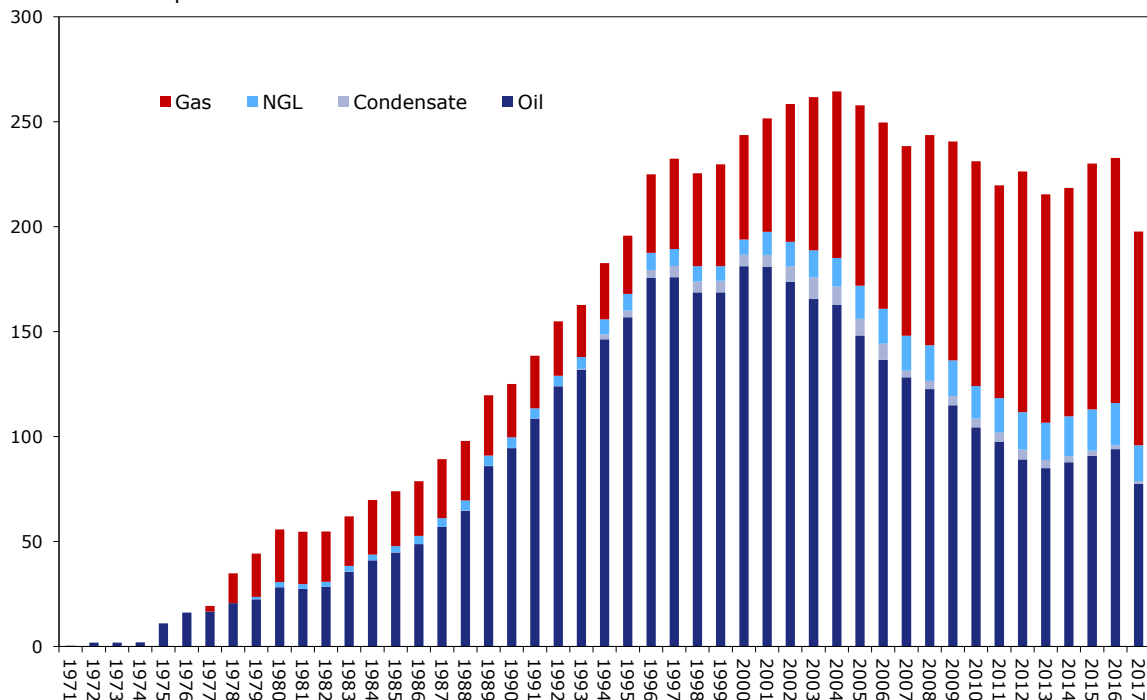
⁷⁹ The installation of burners and boilers based on fossil fuels in new constructions was banned in 2016.

⁸⁰ St. Meld. 25 (2015-2016) *Kraft til endring*, pages 124 and 210.

Today, Norway produces and exports somewhat more natural gas than crude oil. However, the expected continued decline in oil production has been arrested by the discovery of the large, oil-rich "Johan Sverdrup" field in 2011. The first phase of the development of "Johan Sverdrup", the fifth largest discovery in Norway's petroleum history, was approved in 2015, and the field is expected to account for 30% of Norway's production of crude oil in 2025.⁸¹

Chart 4.5 Norway's petroleum production, 1971-2017

Million Sm3 oil equivalent



Source: Norwegianpetroleum.no.

4.87. Although the Norwegian petroleum sector has been affected by the recent decline in oil and gas prices, production volumes have been largely unresponsive to the price fluctuations, as the variable costs related to production are low relative to the investments required before production may commence. However, as oil companies have postponed exploration activities and made other adjustments to protect their net cash flow from falling revenues, the oil service supply industry and many engineering firms have been forced to adapt to sharply lower levels of activity globally, including on the Norwegian continental shelf. Statistics Norway estimates that the number of full-time jobs in Norway directly or indirectly linked to the offshore petroleum sector declined from 232,000 in 2013 to 185,300 in 2016. A side effect of the retrenchment and tough competition on the supply side has been lower costs for the petroleum industry. The development of the "Johan Sverdrup" field was in 2015 estimated to be profitable with oil prices at, or exceeding, US\$32/barrel. In early 2018, industry sources indicated that break-even had been reduced to less than US\$15/barrel for the first phase of the Johan Sverdrup project and less than US\$20/barrel for the full-field development.⁸²

4.88. Activities on the Norwegian continental shelf are governed by the Petroleum Act No. 72 of 29 November 1996. A licensing system is applicable to all companies engaged in exploration and production activities (Box 4.2). Offshore production is subject to a separate tax regime, laid down in the Petroleum Taxation Act No. 35 of 13 June 1975. Recent reductions in the general corporate tax rate have been balanced by commensurate increases in the special petroleum tax to maintain a marginal tax rate of 78%.⁸³ The combined stakes of the 67% state-owned Statoil ASA and

⁸¹ Ministry of Petroleum and Energy, Prop. 114S (2014-2015), 24 April 2015.

⁸² Statoil online information. Viewed at: <https://www.statoil.com/en/news/07feb2018-johan-sverdrup.html>.

⁸³ For 2018, petroleum companies are subject to ordinary corporate income tax (23%), special petroleum tax (55%), as well as taxes on emissions of carbon dioxide and nitrogen oxides. The special tax

Petoro AS, an entity established in 2001 to manage the direct financial interests of the Norwegian State in offshore fields, accounted for approximately 59% of the production volume on the Norwegian continental shelf in 2017. However, a total of 27 energy companies held stakes in fields on stream in 2017. Over the years, the Norwegian offshore sector has seen the arrival of many new entrants, particularly for the development of small discoveries in mature areas.⁸⁴

Box 4.2 Licensing in the Norwegian petroleum sector

The Petroleum Act No. 72 of 29 November 1996 stipulates that the property rights to the petroleum resources on the Norwegian Continental Shelf are vested in the Norwegian State. The Act also provides the legal basis for a licensing system that allows companies to engage in petroleum activities. As a starting point, an area on the Continental Shelf must have been formally opened for petroleum activities before any such activity may take place. The Ministry of Petroleum and Energy is required to carry out a strategic impact assessment for the area in question, including evaluations of the possible environmental, economic, and social effects, before the Norwegian Parliament decides whether or not to open a new area of the Continental Shelf to petroleum activities.

The Ministry organizes licensing rounds in open areas by first inviting existing licensees and prequalified companies to nominate geographically limited areas (so-called blocks) to be included in the new round. A public consultation procedure is also undertaken to assess, for example, environmental and fisheries-related aspects before the Government decides which blocks to include in the next licensing round. A production licence grants exclusive rights to exploration, exploration drilling, and production of petroleum in the designated block, and regulates the rights and obligations of the licensee vis-à-vis the Norwegian State. The Government awards the production licence for each block to a consortium of companies, one of which is designated operator of the joint venture. The operator is responsible for ongoing activities under the licence vis-à-vis the authorities and the other licensees. The licensees share the costs and revenues proportionately to their participating interest in each block. The licensing rounds are nowadays organized every two years. In all, 23 numbered licensing rounds have been undertaken since 1965. The 24th round is ongoing, and likely to be completed by mid-2018.

In addition to the numbered rounds, annual Awards in Predefined Areas (APAs) have been organized since 2003 in mature areas, i.e. areas where the geology is well known, the technical challenges are fewer, and new production units may be hooked up to existing infrastructure. The purpose is to ensure that smaller deposits may be proven and recovered before the infrastructure is shut down. The Ministry decides which blocks to include in APAs.

Production licenses are initially awarded for an exploration period of up to 10 years, during which the licensees explore the awarded block in accordance with a committed work programme. If the exploration is unsuccessful, the licensees shall relinquish their licence. The block may subsequently be awarded to another group in a future licensing round. If a discovery is made in the initial period, the licensees have the right to require an extension of the licence period upon expiry of the initial period, and subject to their submitting a plan for development and production of the petroleum deposit to the Ministry of Petroleum and Energy for approval. About two to five years before the licensees envisage the end of petroleum production, a decommissioning plan must be submitted to the Ministry. The licensees are liable for all costs related to the permanent shutdown and disposal of the redundant installations. The licensees are also liable for any pollution damage, irrespective of fault, during exploration and production.

Source: Online information viewed at www.norskipetroleum.no, a website operated jointly by the Norwegian Ministry of Petroleum and Energy and the Norwegian Petroleum Directorate.

4.89. About 8,800 km of sub-sea pipelines (upstream pipeline network) for the transportation of produced gas to the European Continent and the United Kingdom have been laid on the Norwegian continental shelf. The transportation system is mostly owned by a joint venture (Gassled), and operated by the wholly state-owned Gassco AS. Gas transport tariffs are governed by special regulations issued by the Ministry of Petroleum and Energy, as the pipeline system is considered a natural monopoly with high initial costs. The purpose of the regulations is to ensure that economic rents are mainly ascribed to the producing fields and not extracted through the transportation system.

4.90. Norway's export revenue from oil, gas and condensates amounted to NOK 414 billion in 2017, i.e. just under 50% of total merchandise exports. Most of Norway's production of crude oil is exported to the European Union, and almost all the natural gas is landed in the European Union via pipelines to terminals in the United Kingdom (2), Germany (2), Belgium, and France. Norway is

regime also contains a number of allowances, as outlined in WTO (2012). The regime is designed to be investment neutral, i.e. a project considered profitable before tax should also be profitable after tax.

⁸⁴ Companies may sell or swap their participating shares in production licences subject to the consent of the Ministry of Petroleum and Energy.

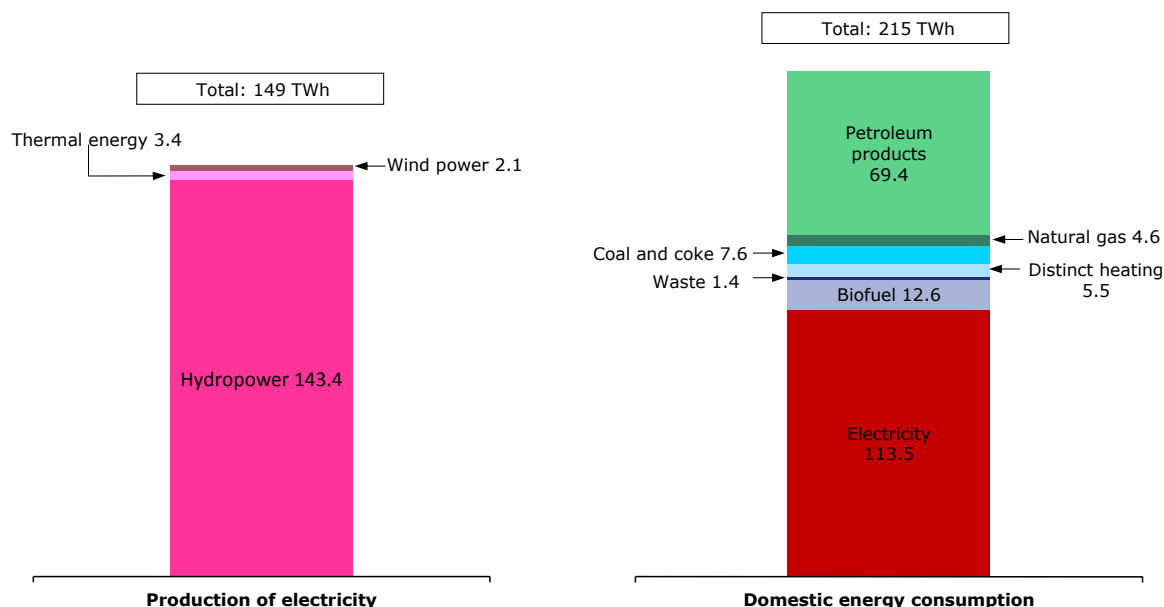
thus a major supplier of energy to the European Union, and the mutual dependence is reinforced through close cooperation both within and beyond the EEA Agreement.

4.91. Norway has participated in EU programmes such as Intelligent Energy Europe (IEE), the Competitiveness and Innovation Framework Programme (CIP), and in funded research projects within the Horizon 2020 framework. The many components of the European Union's Energy Union (including an integrated gas market) and the European Union's third energy package (2009) (including the Gas Directive⁸⁵ and Regulation 715/2009 which form the cornerstones for an integrated gas market) have been incorporated into the EEA Agreement.

4.2.2 Electricity

4.92. Norway's production of electricity is almost entirely hydro-based, the remainder being thermal power, and wind power (Chart 4.6). Norway's abundant water resources make it the largest hydropower producer in Europe and the seventh most important in the world. The installed capacity in Norway's 1,608 power plants total approximately 33 GW, and the production amounted to almost 149 TWh in 2016. Although the system is weather reliant, extensive water storage capacity (84 TWh), equalling about 63% of the hydropower production in an average year, allows rapid adjustment to fluctuations in daily and seasonal demand.

Chart 4.6 Norway's energy balance, 2016



Source: Statistics Norway.

4.93. The flexibility and reliability of the system is also furthered by Norway's participation in a fully integrated market for electricity with its Nordic neighbours Sweden, Denmark and Finland through Nord Pool Spot – a spot market for electricity. The main volumes are traded in the day-ahead market (Elspot), but electric power may also be bought and sold intra-day (Elbas).⁸⁶ In addition, the Norwegian grid operator Statnett manages the momentary flow of electricity in the Nordic region.⁸⁷

4.94. Since 2008, Norway's electricity grid has been connected with the Netherlands through a sub-sea cable (NorNed, capacity 700 MW). Further sub-sea connections are planned with Germany

⁸⁵ On 13 July 2009, the European Parliament and the Council adopted Directive 2009/73/EC concerning common rules for the internal market in natural gas and Regulation (EC) No. 715/2009 on conditions for access to natural gas transmission networks. The new legislation repealed Directive 2003/55/EC and Regulation (EC) No. 1775/2005.

⁸⁶ Operators in the Baltic countries may also participate in the two exchanges, and existing links allow Germany and the United Kingdom to take part in Elbas.

⁸⁷ The frequency of the electricity grid is synchronized at 50 Hz throughout Norway, Sweden, Finland and parts of Denmark.

(NordLink, capacity 1,400 MW) and the United Kingdom (North Sea Network, also 1,400 MW). By 2022, with these new networks completed, Norway's total capacity for electricity exchange with other countries will amount to 9,000 MW, in theory allowing trading of up to 80 TWh of electric power per year. The actual volumes traded, and the direction of the trades, will depend on the market situation in each country. The position of Norwegian hydropower producers is enhanced by their reservoir capacity which, unlike producers of wind power and solar energy, allows flexible regulation and precision in the flow of production. The output of Norway's hydropower stations normally exceeds domestic needs.⁸⁸ In 2016, net exports amounted to 16.4 TWh. However, variations in precipitation in combination with seasonal fluctuations in demand (e.g. dry and cold winters) may lead to prolonged periods of importation of electricity. Net imports in 2010, the last "dry" year, amounted to 7.5 TWh.

4.95. Although the EEA Agreement covers the energy sector, Norway's legal framework has so far been little affected by EU regulations, as the liberalization of the electricity market in Norway (in 1991) occurred before the changes introduced in EU countries in 1996 and 2003. The principal pieces of legislation therefore remain the Energy Act No. 50 of 29 June 1990, the Water Resources Act No. 84 of 24 November 2000, the Watercourse Regulation Act No. 17 of 14 December 1917, and the Industrial Licensing Act No. 16 of 14 December 1917. The Industrial Licensing Act reflects the codification (in 1909) of waterfalls being part of the national wealth, and most water resources have therefore been developed by public sector enterprises, as concessions for private developers were of limited duration (60 years). Following an examination of the Norwegian concessions and licensing system, started by the EFTA Surveillance Authority in 2001, and ending with a decision of the EFTA Court in June 2007, the Court concluded that Norway was obliged to act in a non-discriminatory manner in relation to private ownership, or be more consistent in the application of public ownership. Concessions to private investors are therefore no longer granted. However, private investors are permitted to own up to one third of the capital in public enterprises granted concessions according to the Industrial Licensing Act.

4.96. Approximately 70 energy-related EU directives and regulations have so far been incorporated into the EEA Agreement, including legislation essential to meet the targets of the EU 2020 climate and energy package,⁸⁹ i.e. a 20% reduction in greenhouse gas emissions (from the 1990 level) with binding national targets in combination with the EU Emissions Trading System (ETS)⁹⁰, a 20% share of renewables in the energy supply with binding national targets, and a 20% improvement in energy efficiency. New targets were subsequently set by EU leaders in October 2014 for greenhouse gas emissions (-40%), renewables (27%), and energy efficiency (27%) with their approval of the 2030 climate and energy framework. Norway has adopted the same targets for emissions and energy efficiency. Norway submitted its national plan for renewable energy in June 2012, and reports its results bi-annually to the EFTA Surveillance Authority. The traditional dominance of renewable sources in the domestic energy supply provides Norway with a different point of departure than most EU member States. With a share of renewables of 59.8% in 2005

⁸⁸ The estimated production of hydropower in an average year is 132.3 TWh.

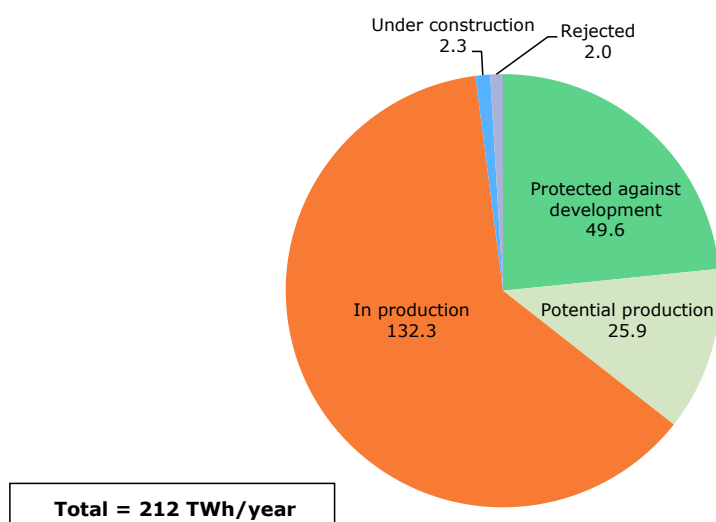
⁸⁹ The 2020 package includes four Directives of the European Parliament and of the Council of 23 April 2009: (i) Directive 2009/28/EC on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC; (ii) Directive 2009/29/EC amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community; (iii) Directive 2009/30/EC amending Directive 98/70/EC as regards the specification of petrol, diesel and gas-oil and introducing a mechanism to monitor and reduce greenhouse gas emissions and amending Council Directive 1999/32/EC as regards the specification of fuel used by inland waterway vessels and repealing Directive 93/12/EEC; and (iv) Directive 2009/31/EC on the geological storage of carbon dioxide and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/1/EC and Regulation (EC) No 1013/2006; as well as (v) Directive 2009/125/EC of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products (recast); (vi) Decision No. 406/2009 of 23 April 2009 on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020; (vii) Regulation (EC) No. 443/2009 of 23 April 2009 setting emission performance standards for new passenger cars as part of the Community's integrated approach to reduce CO2 emissions from light-duty vehicles; (viii) Directive 2010/30/EU of 19 May 2010 on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products (recast); (ix) Directive 2010/31/EU of 19 May 2010 on the energy performance of buildings (recast); and (x) Directive 2012/27/EU of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC.

⁹⁰ Norway has participated in the EU ETS scheme since 2008.

according to EU definitions, Norway's target for 2020 was set at 67.5%. The reported share in 2014 was 69.2%.

4.97. The Norwegian Government submitted a white paper on Norway's energy policy to Parliament in April 2016 listing four priorities towards 2030: (i) robust security of supply; (ii) profitable exploitation of renewable energy; (iii) more efficient and climate friendly use of energy; and (iv) sectoral development based on efficient use of renewable sources of energy.⁹¹ The paper does not set specific numerical targets, but notes that the development of Norway's remaining hydropower resources appears to offer the most cost efficient addition to the existing energy supply. Technological developments have reduced the costs of land-based wind power, and the 2015 production level (2.5 TWh) could be significantly increased with the completion of concessions granted (12 TWh) and applications under consideration (14 TWh). Although Norway also has considerable potential in offshore wind power, costs are considerably higher for wind parks at sea. The development of solar energy in Norway is not profitable at current price levels. About one quarter of Norway's hydropower resources is protected against future development. Nevertheless, full use of the remaining potential could expand Norway's production of hydropower by another 20% (Chart 4.7).

Chart 4.7 Norway's hydropower resources



Source: Meld. St. 25 (2015-2016) Kraft til endring, Energipolitikken mot 2030.

4.98. As of 1 January 2018, the electricity rates paid by households and services industries include an electricity tax of Nkr 0.1658 per KWh. A wide range of industrial users pay the rate of the industrial bracket (Nkr 0.0048 per KWh), while energy-intensive industries belong in the zero tax bracket, in line with the EU framework for the taxation of energy products and electricity. Households and public administration in Finnmark and northern Troms are exempted. In addition, households are charged Nkr 0.01 per KWh for the benefit of the Energy Fund.⁹² Moreover, the tariffs households pay to their suppliers of electricity include the costs of "green" certificates the suppliers must purchase to finance renewable energy projects.

4.99. Norway and Sweden have operated a joint market for "electricity certificates" since 1 January 2012. The purpose of the scheme is to expand the annual production of renewable energy by 28.4 TWh by 2020. The financing is split in fixed proportion between the consumers in Norway (13.2 TWh) and Sweden (15.2 TWh) but it is de-linked from where the expansion actually takes place.⁹³ The scheme, which grants a payment per MWh to the producer of the additional renewable energy, is applicable to new installations commissioned before 31 December 2021. The

⁹¹ Meld. St. 25 (2015-2016), *Kraft til endring, Energipolitikken mot 2030* (in Norwegian only), 15 April 2016.

⁹² Industrial users are charged Nkr 800 per year at each point of measurement. Value added tax (25%) is levied on top of the tax rates mentioned.

⁹³ By January 2016, the production facilities approved under the scheme had an expected level of average annual production of 13.8 TWh; 2.2 TWh relating to facilities in Norway and 11.6 TWh in Sweden.

certificates are granted for 15 years, but will be valid no further than the end of 2035. The Norwegian Government noted in its 2016 white paper on energy policy that, while the scheme has promoted the exploitation of wind power and the construction of small hydropower stations, it has not furthered technological development or innovation. The Government will therefore not introduce new targets for the "electricity certificate" scheme upon its expiry in 2021.

4.100. The Climate and Energy Fund is financed through the State Budget and the electricity tax levied on the users.⁹⁴ The fund finances the activities of Enova SF, a state enterprise reporting to the Ministry of Petroleum and Energy (MPE). The framework for the social mission of Enova is established in four-year agreements with the Norwegian Government (through the MPE). The current agreement covers the period 2017-2020. According to Enova's annual report for 2016, the enterprise received fresh funds totalling Nkr 2.29 billion and made new commitments totalling Nkr 2.57 billion in energy and climate projects.⁹⁵ Enova provides investment support for energy efficiency and energy transition activities undertaken by businesses and industry, the public sector, and households. It also operates an advisory service, drawing on the experience of managing several thousand projects relating to climate-friendly uses, energy efficiency, energy conservation and recovery, and sustainable energy production. Projects with anticipated energy results exceeding 9 TWh were realized with the help of Enova between 2012 and 2016.

4.3 Services

4.3.1 Financial services

4.101. Regulatory responsibilities for the financial sector in Norway are shared between the Ministry of Finance (policy development and licensing), the Financial Supervisory Authority of Norway (Finanstilsynet), and Norges Bank (policy advice and stabilizing measures).⁹⁶ The three institutions meet formally twice a year, and may hold more frequent tripartite meetings if necessary. Norway does not participate in the key fora overseeing the health of the world's financial markets, such as the G-20, the Financial Stability Board (FSB), and the Basel Committee.⁹⁷ However, Norway regularly transposes international guidelines and recommendations into national legislation, and its participation in the European Union's single market for financial services through the EEA ensures a regulatory regime harmonized with the evolving EU *acquis* in this area. At the regional level, the Ministry of Finance, Norges Bank, and Finanstilsynet participate in various fora in the Nordic-Baltic area, including the Nordic-Baltic Stability Group and the Nordic-Baltic Macroprudential Forum.

4.102. The EU Regulations under which common EU financial supervisory authorities have been operating since 2011 were incorporated into the EEA Agreement in September 2016.⁹⁸ Henceforth, the Financial Supervisory Authority of Norway takes part in the activities of the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), and the European Insurance and Occupational Pensions Authority (EIOPA) in the same manner as the national supervisory authorities of EU member States, but without voting rights. Finanstilsynet and Norges Bank attend meetings of the General Board of the European Systemic Risk Board (ESRB), subject to certain delimitations. Any supranational binding decisions applicable in Norway may only be adopted by the EFTA Surveillance Authority. Following the resolution of the institutional issues for EEA EFTA States in 2016, work has been proceeding to incorporate into the EEA Agreement more than 300 EU directives and regulations considered EEA-relevant in the financial markets area. However, while the formal incorporation into the EEA Agreement of many *acquis* is pending a formal decision in the EEA Joint Committee, the Norwegian authorities have been moving in parallel with institutions and bodies within the European Union to put in place Norwegian national

⁹⁴ For 2018, the budget transfer amounts to Nkr 2.05 billion, and the electricity tax is expected to raise an additional Nkr 670 million.

⁹⁵ Enova online information. Viewed at: <http://presse.enova.no/documents/enovas-aarsrapport-2016-65160> (in Norwegian) or available in English from: <http://viewer.zmags.com/publication/3d636be6#/3d636be6/16>.

⁹⁶ In addition, Norway established a standing Commission (Banklovkomisjonen) in 1990 to evaluate the legal framework for financial services and to prepare detailed proposals and recommendations. The Commission presented its 31st (and final) report in January 2018.

⁹⁷ The Norwegian supervisory authorities participate in the FSB Regional Consultative Group for Europe. Exceptionally, Norway took part in G-20 events in 2017 at the invitation of the host country (Germany).

⁹⁸ Decision of the EEA Joint Committee No. 198/2016 of 30 September 2016 amending Annex IX (Financial services) to the EEA Agreement [2017/275].

legislation that mirrors the content of the EU *acquis*. This applies to a series of measures within banking, insurance and securities, in particular requirements stemming from the Capital Requirements Regulation (CRR)⁹⁹, the Capital Requirements Directive (CRD IV)¹⁰⁰, Solvency II, and MIFID II/MIFIR¹⁰¹.

4.103. Norway's financial legislation was overhauled in 2015 with the passage of the Financial Institutions Act.¹⁰² The new law entered into force on 1 January 2016 and replaced previous sectorial legislation, i.e. the Commercial Banks Act (1961), the Savings Bank Act (1961), the Bank Guarantee Act (1996), the Financial Institutions Act (1988), and parts of the Insurance Act (2005). The Ministry of Finance adopted a new consolidated regulation to the new Financial Institutions Act on 12 December 2016.¹⁰³ The new law and its regulation do not fundamentally alter the conditions under which financial institutions operate in Norway, but rather modernize and consolidate the legal framework. The Act maintained the capital adequacy requirements for banks and credit institutions adopted in 2013, while introducing new capital adequacy requirements for insurance companies consistent with the EU Solvency II Directive.¹⁰⁴

4.104. Section 3-6 of the Value Added Tax Act No. 58 of 19 June 2009 exempts supply of financial services from the payment of VAT in Norway. Although the exemption implies that enterprises supplying financial services cannot deduct input VAT on their acquisitions of goods and services, the exemption is overall considered to be a major benefit to the financial industry. The exemption may also have created incentives for financial enterprises to develop functions in-house rather than to purchase them from external sources.

4.105. A new financial activity tax, applicable exclusively to enterprises in the financial services industry, came into effect on 1 January 2017.¹⁰⁵ The tax is levied at the rate of 5% on the payroll of these enterprises. In addition, financial services enterprises remained subject to 25% corporate income tax on net profits, i.e. one percentage point higher than the general rate applicable in 2017. According to the Ministry of Finance, these two measures were expected to add approximately Nkr 2 billion to the Government's accrued tax revenue in 2017.¹⁰⁶ As corporations subject to the financial activity tax do not take part in the further reduction in the general corporate income tax rate (to 23%), approved by Parliament in the passage of the national budget for 2018, the Government estimates an additional Nkr 600 million accruing from the financial activity tax this year.

4.106. The framework for the financial activity tax is not considered finalized, and the tax may be fine-tuned in light of an initial review to be completed by 1 January 2018.

4.3.1.1 Banking and finance

4.107. The EEA Agreement provides a rule of free establishment for financial institutions domiciled in the EEA to offer banking services in Norway, and vice versa, for Norwegian banks to provide banking services within the entire EEA. Under Norwegian law, the acceptance of deposits in combination with the provision of credit triggers the need to obtain a banking licence. A Norwegian financial institution is licenced either as a commercial bank or a savings bank. Financial institutions

⁹⁹ Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and Amending Regulation (EU) No. 648/2012.

¹⁰⁰ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013.

¹⁰¹ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

¹⁰² Act on financial institutions and financial groups 2015 No. 40 of 10 April 2015.

¹⁰³ The new consolidated regulation replaced 50 regulations adopted on the basis of the previous laws.

¹⁰⁴ Among other changes brought by the Act are more detailed regulation of cooperative agreements between financial institutions (outside of group relations), the exchange of customer information between group entities, an obligation for retail banks to accept and distribute cash, and mandatory internal audit.

¹⁰⁵ The financial activity tax is applied to enterprises with their main business in area K of the Standard Industrial Classification (SN2007) of Statistics Norway, e.g. banks, insurance companies, mortgage companies, pension funds, mutual fund managers, securities firms, investment companies, and payment processing enterprises.

¹⁰⁶ The financial activity tax is roughly estimated to return the tax burden on the financial services industry to the 2013 level, i.e. when the rate of corporate income tax was 28%. Ministry of Finance fact sheet (in Norwegian). Viewed at:

<https://www.regjeringen.no/contentassets/1cde615891ca463783b967ab25b20417/faktaark4.pdf>

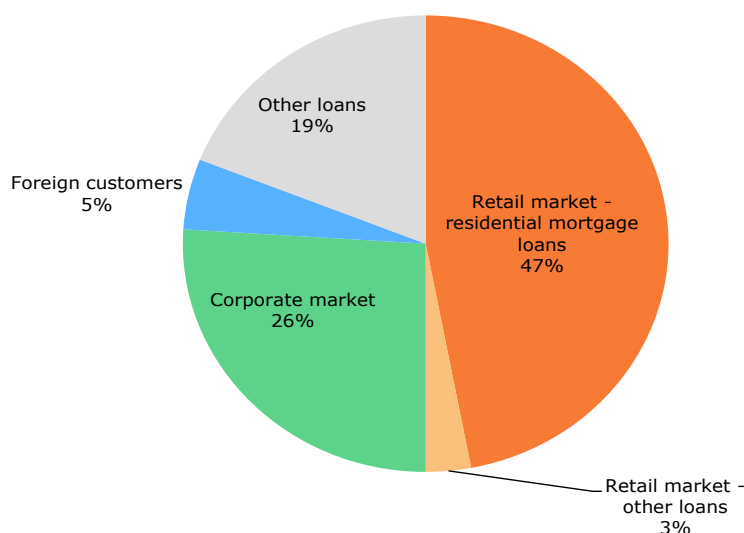
established within the European Union or elsewhere in the EEA may accept deposits in Norway as long as their home-state licence gives them the right to accept deposits (so-called passporting). As for the supervision of large individual banks operating in several countries, the EBA has issued guidelines for the establishment of supervisory colleges formed by representatives of the national supervisory authorities of the countries concerned.¹⁰⁷

4.108. Commercial banks are organized as limited liability companies (public or private) with a share capital of a minimum of €5 million. Foreign banks may establish branches in Norway in accordance with EU (EEA) banking directives. The Financial Institutions Act includes non-discriminatory rules on ownership control. Prior authorization must be obtained from the Ministry of Finance for the acquisition of 10% or more of a Norwegian bank's capital or voting rights, or for the purchase of a stake that gives the owner significant influence over a bank's management and its business. Beyond the prior authorization requirement, the rights of owners (whether resident, non-resident, or foreign) to hold and vote with their shares or equity certificates are not restricted.¹⁰⁸

4.109. Licences to provide investment services may be granted to banks or limited liability companies. Banks may seek such licences either through the parent bank or a subsidiary. Foreign "passporting" firms may also provide investment services in Norway.

4.110. The Norwegian financial sector included 125 banks, 33 mortgage companies (mostly owned by banks), and 25 finance companies licensed to operate in Norway at the end of 2017. In addition, 38 branches of foreign banks and credit institutions (of which 12 were classified as banks) had a base in Norway. The importance of government lending schemes peaked in the early 1990s. Their prominence declined steadily until 2007, and their market share has been stable since then. Thus, loans from the Norwegian State Housing Bank, the Norwegian State Educational Loan Fund, Innovation Norway, the Norwegian Export Credit Guarantee Agency (GIEK), and Export Credit Norway account for no more than 6% of the outstanding credit volume at present. The Norwegian banking sector is strongly oriented towards the domestic market.¹⁰⁹ Foreign customers account for no more than 5% of the lending volume in the sector. Household demand, primarily for mortgages, constitutes nearly 50% of the market, while the corporate sector accounts for 26% of the volume of loans (Chart 4.8).

Chart 4.8 Borrowers from Norwegian banks and covered bond mortgage companies in Norway, 2016



Source: Norges Bank.

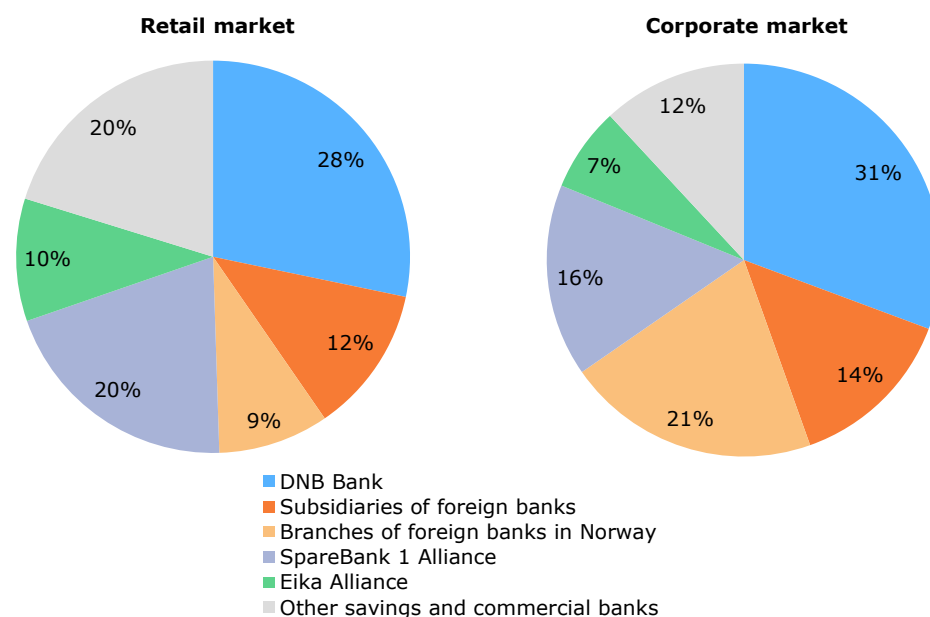
¹⁰⁷ In the case of Norway, Finanstilsynet is the coordinating authority for the supervisory college of DNB, in which eight other national authorities participate. Conversely, Finanstilsynet has joined the supervisory colleges of seven foreign banks operating in Norway.

¹⁰⁸ At general meetings of savings banks, the owners of equity certificates represent at most 40% of the voting rights. Savings banks are effectively protected against hostile takeovers due to their structure.

¹⁰⁹ 18 branches of Norwegian-based credit institutions operated outside of Norway at the end of 2016.

4.111. Despite the relatively large number of banks, market concentration is quite high. The market share of the largest bank (DNB) is about 30% in the retail market as well as in the market for corporate customers (Chart 4.9). Moreover, most savings banks have strong positions in the local markets in which they operate, and many of them have joint operations by virtue of their membership in one of two nationwide savings banks' alliances (Sparebank1 Gruppen and Eika Gruppen).¹¹⁰ Foreign banks played a key role in the development of the Norwegian petroleum sector from around 1970. However, it was only in 1985 that foreign banks were allowed to engage in banking activities in Norway. Over the past 20 years, branches and subsidiaries of foreign banks have built a significant presence in the retail and commercial market through acquisitions of existing banks and organic growth (Table 4.15).

Chart 4.9 Loan market shares of banks in Norway at the end of 2016



Source: Norges Bank.

Table 4.15 Norway's largest banking groups

Name	Core area	Total assets (end-2016) NKr billion	Gross lending in Norway ^a (end-2016) NKr billion	Ownership
DNB Group	Nationwide	2,348	1,125	34% state-owned, 9% owned by savings bank foundation
Nordea Bank Norge ^b	Nationwide	669	465	Branch of Swedish bank
Danske Bank	Nationwide	379	235	Branch of Danish bank
Handelsbanken	Nationwide	234	230	Branch of Swedish bank
SpareBank 1 SR-bank	Regional	193	178	Limited liability savings bank, member of SpareBank 1 Gruppen
Sparebanken Vest	Regional	163	136	Independent savings bank
Santander Consumer Bank	Nationwide (consumption credit)	143	52	Subsidiary of Spanish bank
SpareBank 1 SMN	Regional	138	136	Savings bank, member of SpareBank 1 Gruppen
SEB NUF	Nationwide (investment banking)	130	10	Branch of Swedish bank
Sparebanken Sør	Regional	105	91	Independent savings bank

¹¹⁰ Sparebank 1 Gruppen comprises 16 banks, including four large regional savings banks. Around 80 savings banks, mostly smaller banks, have joined forces in Eika Gruppen. Less than 20 savings banks remain formally non-aligned, but some of them have joint ownership in business ventures (insurance, mortgages, securities, and corporate finance).

Name	Core area	Total assets (end-2016) Nkr billion	Gross lending in Norway ^a (end-2016) Nkr billion	Ownership
Sparebank 1 Østlandet	Regional	101	118	Savings bank, member of SpareBank 1 Gruppen
SpareBank 1 Nord-Norge	Regional	91	96	Savings bank, member of SpareBank 1 Gruppen
Sbanken ^c	Nationwide	71	63	Independent commercial bank
Sparebanken Møre	Regional	62	53	Independent savings bank

a Including loans transferred to jointly owned covered bonds companies.

b Nordea Bank Norge operated as a subsidiary of the Swedish parent bank until 2 January 2017. Nordea's subsidiaries in Denmark and Finland were also converted to branches on that day. As a result, the financial supervisory authorities in Denmark, Finland, Norway and Sweden have concluded a Memorandum of Understanding on the supervision of systemically-important branches.

c Skandiabanken was established by a Swedish insurance group in 2000. Skandia AB was acquired by Old Mutual plc in 2006. The banking operations in Norway were reorganized in 2015, and Sbanken (renamed in November 2017) is currently listed on the Oslo Stock Exchange with predominantly Norwegian ownership.

Source: Norges Bank, Norway's Financial System, Norges Bank Papers No. 2/2016, and information provided by the authorities.

4.112. Norway does not appear to be "overbanked" in comparison with other countries. Measured against Norway's GDP, the combined assets of Norwegian banks grew from around 160% in 2007 to 220% in 2016. Unlike in the early 1990s, when Norway suffered a severe domestic banking crisis, liquidity emerged as the only major challenge in Norway during the global financial crisis in 2008-09.¹¹¹ The main lasting effect of the 2008 turmoil has been the strong growth of specialized mortgage companies, established by the banks.¹¹² These companies issue covered bonds (OMF – obligasjoner med forkjøpsrett) backed by prime residential and commercial mortgages the parent banks have ceded to them. At the end of 2016, the total volume of such covered bonds amounted to Nkr 530 billion, i.e. about 30% of the entire Norwegian bond market. A substantial share (around 45%) of Norwegian bonds is funded in foreign currencies.¹¹³

4.113. Norwegian banks have generally maintained good profitability since 2009, aided by higher business volume, stable interest margins, occasional cost-cutting measures, and low levels of defaults and loan losses.¹¹⁴ The interaction between technological change and consumer behaviour has prompted the closure of several hundred retail outlets since 2000, while the overall number of bank employees has remained fairly stable over the period.¹¹⁵ Most Norwegian banks continue to attain an after-tax return on equity above 10%, even though the steady accumulation of equity in response to sharply increased capital adequacy requirements has made such targets more difficult to achieve. Most banks have been able to meet the gradually tighter capital requirements through retained earnings (but with sharply reduced dividend payments). New issues of shares or equity certificates (savings banks) have also been completed on occasion.

4.114. The risk-weighted capital ratios of Norwegian banks have risen markedly since 2008. At first, the increase was mainly due to the application of lower risk weights, particularly for residential mortgages, in the implementation of Basel II. Subsequently, the regulatory requirements have become tighter. All banks were required to meet a minimum common equity (tier 1) capital ratio (CET1) of 9% by 30 June 2012. New capital adequacy rules adopted in 2013 stipulated a minimum level of CET1 capital of 4.5% as well as a CET1 capital buffer of no less than

¹¹¹ See WTO (2012), *Trade Policy Review – Norway*, Geneva. A swap arrangement whereby banks could convert their covered bonds into liquid treasury bills was discontinued in 2014.

¹¹² Covered bonds (OMF) were introduced in 2007, but at the height of the turbulence in late 2008, most banks had yet to establish the mortgage companies authorized to issue such bonds.

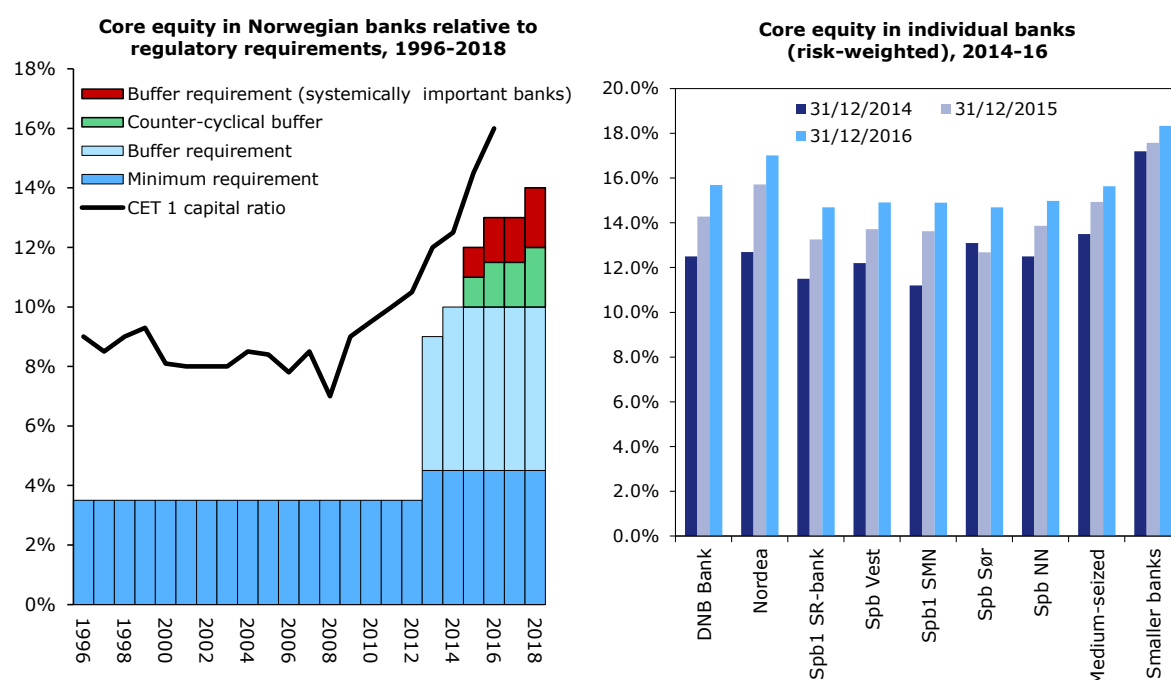
¹¹³ The euro is the preferred currency, but bonds are also issued in US dollars, Swedish kronor, Swiss francs, and pound sterling.

¹¹⁴ Non-performing loans constituted 1.3% of total loans at the end of 2016 and 1.2% at the end of September 2017.

¹¹⁵ Nonetheless, some senior bankers indicated during 2017 that further automation of banking operations could lead to significant layoffs in the sector over the next 5-10 years. According to Statistics Norway, Norway's financial sector employed approximately 47,600 persons in September 2017, 5% fewer than in 2000.

4.5% of the risk-weighted assets (Chart 4.10). Programmed increases in the capital buffer requirement were also announced: to 5.5% from 1 July 2014, and 6.5% from 1 July 2015 with the introduction of a countercyclical capital buffer of 1%. The level of the countercyclical capital buffer is decided by the Ministry of Finance every quarter on the recommendation of Norges Bank.¹¹⁶ The countercyclical buffer was increased from 1% to 1.5%, effective 30 June 2016, and subsequently raised to 2% as from 31 December 2017. Systemically important banks must meet an additional CET1 capital buffer of 2%.¹¹⁷ Since 30 June 2017, banks are also obliged to meet leverage ratio requirements; 6% for the systemically important banks and 5% for all other banks.¹¹⁸ The average leverage ratio for Norwegian banks was 7.9% at the end of 2016, and all banks were set to satisfy the new supplementary requirement.

Chart 4.10 Core equity in Norwegian banks relative to regulatory requirements, 1996-2018, and core equity in individual banks (risk-weighted), 2014-16



Source: Finanstilynet and Ministry of Finance.

4.115. As for the requirements for liquid reserves contained in CRR/CRD IV, the Ministry of Finance stipulated (in November 2015) a liquidity coverage ratio requirement (minimum 100%) to be met by the systemically important banks by the end of 2015.¹¹⁹ For other banks, the liquidity requirement has been phased in over a period of two years. The liquidity coverage ratio may be

¹¹⁶ The countercyclical capital buffer may vary between zero and 2.5%.

¹¹⁷ Initially, the additional buffer for systemically important banks was 1%. The Financial Stability Board includes the Swedish-based Nordea Bank AB in its list of global systemically important banks (G-SIBs). Nordea's wholly owned subsidiary Nordea Bank Norge was considered a systemically important bank in Norway; it has been operating as a branch of the Swedish parent bank since 2 January 2017. DNB ASA and Kommunalbanken are the other systemically important banks in Norway. The wholly state-owned Kommunalbanken is a funding agency for local governments. The agency benefits from its AAA/Aaa rating as it issues bonds and notes in international markets to fund low-cost, long-term amortized loans to counties, municipalities, and inter-municipal enterprises. About 98% of Norway's municipalities are clients of Kommunalbanken.

¹¹⁸ The leverage ratio measures CET1 capital against the gross level of exposures, i.e. no weighting of risks takes place. The 5% leverage ratio has two elements; a minimum requirement (3%) and a buffer requirement (2%).

¹¹⁹ Basel III, on which the EU regulations are based, contains two liquidity requirements: a liquidity buffer (LCR – Liquidity Coverage Ratio) and a long-term assets/funding indicator (NSFR – Net Stable Funding Ratio). The LCR requirement was introduced in the European Union, with phase-ins like in Norway, on 1 October 2015. The implementation schedule for the NSFR remains to be decided.

measured separately for individual currencies or as a total across currencies. The average ratio for Norwegian banks was 143% at the end of 2016.¹²⁰

4.116. In line with guidelines of the European Banking Authority¹²¹, Norway requires all its banks and finance companies to carry out an annual internal assessment of the risks associated with their business models and, as a consequence, their needs for capital (Internal Capital Adequacy Assessment Process – ICAAP) and liquidity (Internal Liquidity Adequacy Assessment Process – ILAAP). As part of its Supervisory Review Evaluation Process (SREP), Finanstilsynet examines the iterations and outcome of each bank's ICAAP/ILAAP, and establishes an individually based requirement for additional own funds for each bank (Pillar 2) to cover risks that are not captured, or only partially covered, by the minimum and buffer capital requirements applicable to all banks (Pillar 1). Finanstilsynet began publishing its Pillar 2 decisions in October 2016¹²², and additional own-fund requirements (ranging from 0.5% to 5.5%) have so far been set for more than 50 financial institutions.¹²³

4.117. In the aftermath of the domestic banking crisis in the early 1990s, Norway bolstered its deposit insurance scheme. The guaranteed amount (up to Nkr 2 million per depositor per bank) has been unchanged since 1996. The scheme is funded through an annual levy paid by the participating banks. The assets of the Norwegian Banks' Guarantee Fund (NBGF) totalled nearly Nkr 33 billion at the end of 2016, Nkr 3.7 billion more than the statutory requirement.¹²⁴ The NBGF had 134 members, including six branches of foreign banks. All banks incorporated in Norway, including subsidiaries of foreign banks accepting deposits from the general public in Norway, are obliged to participate in the Fund. Branches of foreign banks are not required to join the NBGF if the guarantee scheme of the home country offers at least as good protection as the EU Deposit Guarantee Schemes Directive (DGSD).¹²⁵ If they opt to join the NBGF, their deposits are first covered by the insurance scheme of their home countries (€100,000 for EU-based banks), with the NBGF providing the additional coverage up to Nkr 2 million.

4.118. The DGSD sets a harmonized general coverage level of €100,000 (per depositor per bank).¹²⁶ However, the Directive allows certain countries applying a higher coverage level prior to the application of Directive 2009/14/EC to maintain such coverage until 31 December 2018, by which time the Commission is to have carried out a review of this option. The Norwegian authorities seek to maintain the existing general guarantee up to Nkr 2 million (approximately €210,000) beyond 2018. The DGSD also stipulates that, in case of a bank failure, the guaranteed deposits are to be repaid within seven working days, two days more than allowed under current Norwegian legislation. On this point, the Norwegian provisions will remain unchanged.

4.119. The EU Bank Recovery and Resolution Directive (BRRD)¹²⁷ obliges banks to prepare recovery plans to overcome financial distress, and enables national authorities to ensure an orderly resolution of failing banks. Each EU member State must establish a national resolution fund towards which all its financial institutions must contribute. A "bail-in" mechanism ensures that a bank's shareholders and creditors take part in the restructuring of their bank. The national resolution fund is only mobilized if shareholder/creditor contributions prove insufficient to maintain a bank's operations during the restructuring phase.

¹²⁰ Liquid holdings are measured against net liquidity outflows during 30 calendar days. The average ratio was 88% for Norwegian kroner. The limited availability of notes and bonds denominated in Norwegian kroner that satisfy the definitions in CRR/CRD IV acts as a constraint on a high ratio in this currency.

¹²¹ The EBA guidelines have been drawn up according to Article 107(3) of the Capital Requirements Directive.

¹²² The decisions are publicly available (in Norwegian) at: <https://www.finanstilsynet.no/offentliggjoring-av-finanstilsynets-vedtak-om-pilar-2-krav-for-enkeltbanker/>.

¹²³ The majority of the Pillar 2 requirements fall in the 1.5%-3.0% range. Higher top-ups of CET1 typically apply to smaller banks with significant portfolios of consumption loans. In light of banks' internal capital targets, Finanstilsynet also assesses the overall level of equity for each bank beyond the needs for CET1 stipulated by Pillar 1 and Pillar 2. For systemically important banks, Finanstilsynet has made its opinion specific (a margin of 0.7% or 1.0%); for other banks it expects Pillar 1 plus 2 to be exceeded by "an ample margin".

¹²⁴ The NBGF should cover a minimum of 1.5% of the guaranteed deposits and 0.5% of the combined risk-weighted liabilities of its member banks.

¹²⁵ Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014.

¹²⁶ The Directive allows unlimited guarantees to be granted for up to 12 months for large deposits of exceptional nature for retail clients, e.g. proceeds resulting from property transactions, marriage, divorce settlements, or lump-sum accident and disability compensation.

¹²⁷ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014.

4.120. In June 2017, Norway's Ministry of Finance proposed new legislation to implement the DGSD and BRRD. The draft legislation designates Finanstilsynet as Norway's resolution authority, while the Ministry of Finance decides whether an institution meets the conditions for resolution. The existing resources of the NGBF are intended to be split into a deposit guarantee fund (approximately Nkr 14.6 billion) and a new resolution fund (around Nkr 17.9 billion). The future annual levy paid by the banks into each fund would amount to 0.08% and 0.1% (respectively) of the covered deposits. For the banks, the new levy will be higher than their present contributions but on par with the 2010 level (adjusted for the growth of the banking sector).¹²⁸

4.121. Many countries, including Norway, have witnessed in the past that a bursting property bubble with resulting deep declines in property values may have severe repercussions on the real economy. Mindful of the upward effect of persistent low interest rates on property prices and household debt, the financial supervisory authority began to issue guidelines for residential mortgages in 2010.¹²⁹ Banks were initially required to demand that buyers put up a minimum of 10% of the acquisition costs; the minimum equity rate has been set at 15% since 1 December 2011.¹³⁰ The required level of own funds is higher for credit lines and non-amortizing loans. Since 2011, banks have also been requested to undertake "stress-testing" of their mortgage customers, i.e. to ensure that households have the capacity to absorb an increase in the mortgage interest rate of 5 percentage points. The guidelines were replaced by a regulation with effect from 1 July 2015. The regulation, set to expire at the end of 2016, was succeeded by a new regulation, effective from 1 January 2017.¹³¹ The regulation stipulates an additional requirement: that the total level of indebtedness should not exceed five times the gross income of the household.

4.122. Concurrently with the tightening of rules related to mortgage lending, the authorities have also been taking steps to contain the rapid expansion of consumption credit, including credit card debt. Although such loans still account for a modest share of household debts overall (Chart 4.9), the high interest rates associated with credit without collateral make them an important expense for households resorting to this type of financing. Tighter rules concerning the marketing of consumption credit entered into force on 1 July 2017, heralding further measures to be put in place, including an obligation on the lenders to perform more stringent vetting practices, and the establishment of a national register for unsecured debts.

4.3.1.2 Insurance and pensions

4.123. The Insurance Activities Act¹³², which implements all relevant EU Directives and Regulations on insurance, applies to all types of insurance, whether life, non-life or reinsurance. A licence is required for the provision of compulsory insurance (such as motor vehicle liability insurance) in Norway. The authorization to establish a Norwegian insurance company is issued by the Ministry of Finance upon the recommendation of Finanstilsynet.¹³³ An insurance company domiciled within the EEA may provide insurance services cross-border or through a branch in Norway. Subject to notification, the establishment of a branch triggers consultations between Finanstilsynet and the supervisory authority of the insurer's home state. The insurer must designate a general agent to manage its branch in Norway, and the general agent must reside in an EEA State. Cross-border provision of insurance is allowed for the types of products the insurer is authorized to market in its home state. Notification to this effect and any changes to the authorizations are submitted to Finanstilsynet by the supervisory authority of the insurer's home State. Non-EEA insurers may not supply insurance services cross-border to Norwegians or to Norwegian companies. However, they may apply for a licence to establish a branch in Norway. The

¹²⁸ The proposed levy differentiates between highly capitalized banks and other banks, allowing the most solid banks to pay proportionately less into the new funds. Both levies are risk sensitive.

¹²⁹ Finanstilsynet, Circular No. 11/2010 of 3 March 2010.

¹³⁰ Finanstilsynet, Circular No. 29/2011 of 1 December 2011.

¹³¹ Ministry of Finance, Regulation No. 1581 of 14 December 2016. The Regulation is valid until 30 June 2018. Banks are allowed some flexibility, for example for first-time borrowers, as up to 10% of the loans (accorded per quarter) may deviate from the norm. Following a particularly sharp increase in property prices in the Oslo area during 2016, the flexibility provision was cut to 8% for Oslo. Moreover, for real estate purchases in Oslo that will not constitute the primary residence of the household/investor, the minimum equity requirement is now 40%.

¹³² Act No. 44 of 10 June 2005.

¹³³ Finanstilsynet evaluates several factors, including the management of the proposed company, all owners controlling more than 10% of the company's capital or voting rights, the proposed line(s) of business, and the start-up capital.

general agent of the branch must be resident in Norway. The same principles apply to reinsurance, although a non-EEA reinsurer may participate in reinsurance programmes without a licence as long as the first approach is made by the reinsured company. There have been no reinsurance companies based in Norway since 2010.

4.124. Norway has implemented the new European solvency framework for insurers (Solvency II) through the Financial Institutions Act 2015, the Solvency II Regulations of 25 August 2015, and supplementary regulations. Moreover, detailed technical rules, recommendations, and clarifications developed by the European Union also apply in Norway. The Solvency II framework entered into force on 1 January 2016, stipulating new risk-sensitive capital requirements and affecting insurers' valuation of technical provisions, risk management systems and internal control, information disclosure, and markedly increased reporting to the supervisory authorities. Tighter requirements apply to life insurance products with a guaranteed return, in particular paid-up policies.¹³⁴ A long transitional arrangement (16 years) applies for the required increases in insurers' technical provisions resulting from Solvency II.

4.125. At the end of 2016, the Norwegian insurance industry comprised 107 registered insurance intermediaries, 13 life insurers, 59 non-life insurers (including 15 fire insurers), and six marine insurance associations licensed in Norway. In addition, 29 branches of foreign insurers were operating in Norway, while 13 branches of Norwegian insurers conducted business abroad. Life insurance constitutes approximately 55% of the premium income of the Norwegian insurance industry with three providers (Kommunal Landpensjonskasse (KLP), Storebrand Livsforsikring, and DNB Livsforsikring) each holding a market share of 20% or more. In non-life insurance, where auto insurance is the largest segment, the largest undertakings are Gjensidige, If Skadeforsikring, Tryg, and Sparebank 1 Skadeforsikring. The market share of the four largest non-life insurance undertakings has been declining over the last 10 years due to new entrants and the rapid growth of some of the smaller insurers.

4.126. Gross premiums earned by non-life insurance companies in Norway (including branches from abroad) totalled Nkr 78 billion in 2016, and their reported combined ratio averaged 85%. The total pre-tax profits amounted to Nkr 15.7 billion in 2016. Their average claims ratio has declined from 72.4% to 66.4% over the last five years, while there has been a steady decline in costs with the adaptation of new technologies. At present, most Norwegian insurers provide net-based portals for the purchase of insurance and the filing of claims.

4.127. In life insurance, gross premiums written totalled Nkr 92.4 billion, including nearly Nkr 10 billion of new business, in 2016. Pre-tax profits totalled Nkr 8.2 billion in 2015 and Nkr 7 billion in 2016. The average solvency capital ratio of the life insurance companies averaged 222%, including use of the transitional provision, at the end of 2016.¹³⁵ Although profitability has been good in recent years, anticipated conformity with the Solvency II framework has required considerable accumulation of equity from retained earnings. However, the industry has also been facing challenges resulting from higher life expectancy of the insured population and historically low interest rates. Finanstilsynet introduced new "mortality tables" in 2013, requiring the insurers to raise premiums for retirement pensions in collective pension schemes and to add provisions for already accrued pensions. The companies were granted seven years to build the additional reserves. The life insurance companies accordingly increased these reserves by Nkr 39 billion between 2013 and 2016, with approximately Nkr 2 billion remaining to be set aside during 2017-20. The insurers have adapted to low interest rates through a gradual reorientation of their business models towards products where risk is transferred to the insured person in return for greater influence over the investment decisions. Companies have also reduced their guaranteed rates and, depending on the financial results, charged guaranteed rate premiums on products offering guaranteed rates. As a result, many private-sector employers have switched from guaranteed (defined-benefit) to defined-contribution pension schemes in recent years.¹³⁶

¹³⁴ One life insurer with major exposure to paid-up policies, Silver Pensjonsforsikring AS, was exempted from the new Solvency II capital requirements until 15 February 2017. As the company proved unable to raise additional capital to meet an estimated Nkr 3 billion shortfall in its reserves, the Ministry of Finance decided to place Silver in public administration on 17 February. Another insurer (Storebrand) announced on 30 January 2018 that it had taken over Silver's business.

¹³⁵ The solvency capital ratio without transition was 183%. A ratio of less than 100% indicates that a life insurer is not in compliance with the capital requirements of the solvency regulations.

¹³⁶ Preferential tax treatment of defined-benefit pension products was extended to defined-contribution policies in 2000.

4.128. The pension system in Norway is based on three pillars: (i) the National Insurance Scheme – a state pension scheme with universal coverage; (ii) occupational pensions, i.e. pensions financed by employers; and (iii) individual savings and pension schemes. Occupational pension schemes became mandatory in 2006. The employer contribution, in general 2% of the employee's earnings as a minimum, is paid into a defined contribution pension scheme. Employees leaving private businesses with defined benefit pension schemes receive paid-up policies. Such policies are also issued when employers switch from defined benefit to defined contribution pension schemes, or when businesses are wound up.¹³⁷ Paid-up policies now account for around 20% of life insurance company liabilities.

4.129. Employers may delegate the management of their pension assets to a licenced undertaking, such as a life insurance company, or set up their own pension funds. At the end of 2016, 48 private pension funds and 39 municipal pension funds held a licence in Norway. The largest private pension fund (Statoil Pension) held assets worth nearly Nkr 70 billion at the end of 2016. The pension fund for public health enterprises in the Oslo area and the pension funds of some of the large municipalities (Bergen, Trondheim, and Bærum) are also of significant size. However, occupational pensions for most public sector employees are provided by the Norwegian Public Service Pension Fund (SPK – Statens pensjonskasse) or by the insurance undertaking KLP. The SPK is a pay-as-you-go pension scheme and is thus not fully funded. The accrued pension entitlements of its participants were estimated to total Nkr 509 billion at the end of 2016. By contrast, the pension schemes of the KLP are fully funded. KLP's total assets were Nkr 497 billion at the end of 2016.

4.130. The Solvency II framework does not apply to pension funds. Pension funds therefore remain subject to solvency margin requirements under Solvency I. In addition, they are required to conduct and report the results of two stress tests to Finanstilsynet on a regular basis. According to one of the tests, the pension funds improved their "buffer capital utilization" by 13 percentage points (from 101% to 88%) during 2016.¹³⁸

4.3.1.3 Securities

4.131. Finanstilsynet supervises the securities market to ensure that trading in financial instruments is secure, orderly and efficient, including that market participants have access to accurate information. The supervision covers marketplaces and settlement systems, investment firms, mutual funds and management companies, alternative investment fund managers, prospectus control, and the financial reporting of listed issuers.

4.132. The EU Markets in Financial Instruments Directive (MiFID I)¹³⁹ was implemented in Norway through the Securities Trading Act and the Stock Exchange Act in 2007. MiFID II and its Regulation (MiFIR), which entered into force in the European Union on 3 January 2018, have not yet been adopted at the EEA level. In December 2017, pending the incorporation of MiFID II and MiFIR into the EEA Agreement, two new Norwegian regulations were adopted that mirror the content of MiFID II/MiFIR. Both market operators and Finanstilsynet have developed new IT systems to enable processing of the extensive daily reporting requirements on positions in commodity derivatives, emission allowances and derivatives thereof stemming from MiFID II/MiFIR. The European Markets Infrastructure Regulation (EMIR)¹⁴⁰ was incorporated into the EEA Agreement on 30 September 2016 and entered into force in Norway on 1 July 2017 alongside the national legislation implementing it.¹⁴¹ The Investment Fund Act (2011) has been amended to ensure compliance with the UCITS V Directive.¹⁴² The amendments entered into force on 1 January 2018.

¹³⁷ No further premium payments are made under a paid-up policy. The policy holder is entitled to a future pension, the level of which will depend on the future return on the invested assets.

¹³⁸ A score below 100% indicates that the available buffer capital is higher than the overall potential loss.

¹³⁹ Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.

¹⁴⁰ Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

¹⁴¹ Finanstilsynet, Circular No. 6/2017 of 4 July 2017.

¹⁴² Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to

As for alternative investment funds (non-UCITS funds), these are regulated according to the Alternative Investment Fund Management Act 2014. Regarding ELTIFs (European Long-Term Investment Funds), designed to facilitate long-term investment in research and infrastructure projects by institutional and private investors, the ELTIF Regulation¹⁴³ remains to be incorporated into the EEA Agreement.

4.133. Subject to notification to Finanstilsynet, foreign securities funds domiciled within the EEA and covered by the UCITS Directive may be marketed in Norway. The notification is provided by the supervisory authority of the home state of the undertaking, which also informs the fund manager that the transmission of documentation has taken place. Units of such funds must be sold directly from the head office of the manager or through an intermediary (management company, credit institution, insurance company, or investment firm) licenced to provide financial services in Norway. The marketing of non-EEA alternative investment funds and alternative investment funds managed by non-EEA alternative investment fund managers to professional investors in Norway requires authorization from Finanstilsynet.

4.134. The market value of companies listed on the Oslo Stock Exchange was close to Nkr 2,500 billion in October 2017. The number of listed companies has remained stable since 2000, defying a trend elsewhere in Europe towards fewer listed entities. Nearly Nkr 28 billion in new equity was raised in the Norwegian securities market during 2016. The market value of assets held by Norwegian securities funds totalled Nkr 981.6 billion at the end of 2016. The stock of bonds issued in the Norwegian bond market totalled nearly Nkr 400 billion at the end of 2016, three times more than a decade earlier. The volume of bonds was divided roughly equally between high yield and investment grade bonds.¹⁴⁴ Growth has been aided by common use of a trustee arrangement attending to the right of bondholders, independent pricing services, and access to unofficial ("shadow") ratings. Smaller companies in particular have found credit ratings performed by the global rating agencies (Moody's, Fitch, and Standard and Poor's) to be a significant, and sometimes discouraging, cost. However, following a recommendation from ESMA that the use of shadow ratings should cease, the financial institutions chose to discontinue their unofficial rating practices in 2016. Meanwhile, a German rating agency (Scope Ratings AG) has established operations in Norway, and funds have been raised among Nordic banks and life insurers to establish a regional credit rating agency. Aimed at financial analysis and credit rating of small and medium sized enterprises, Nordic Rating AS intends to apply for a credit rating agency licence from ESMA.

4.135. Norwegian households account for a minor share (4%) of the listed equity instruments registered in the Norwegian Central Securities Depository (VPS – Verdipapirsentralen ASA) and only a negligible share (0.4%) of the registered bonds and certificates. In order to encourage long-term investment in stocks and mutual funds by private investors, the Norwegian Government launched share savings accounts for listed shares and equity funds in 2017. Henceforth, account holders may trade freely in stocks and mutual funds without being subject to taxation of any resulting capital gains, as long as the gains are reinvested.¹⁴⁵ Taxation may only occur once withdrawals exceed deposits into the accounts.

4.3.1.4 Other financial services

4.136. The Payment Services Directive (PSD)¹⁴⁶, which entered into force in the European Union in 2007, was incorporated into the EEA Agreement in 2008.¹⁴⁷ PSD, aimed at the creation of a single market for payments within the European Union, *inter alia*, simplified payment procedures

undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions.

¹⁴³ Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds. The rules on ELTIFs are linked closely to Directive 2011/61/EU that governs the management and marketing of alternative investment funds (AIFs) in the European Union. ELTIFs are by definition EU AIFs managed by alternative investment fund managers (AIFMs) authorized in accordance with the Directive.

¹⁴⁴ Offshore services and shipping accounted for half of the outstanding volume of high-yield bonds.

¹⁴⁵ Funds held in cash in these accounts are not remunerated.

¹⁴⁶ Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC.

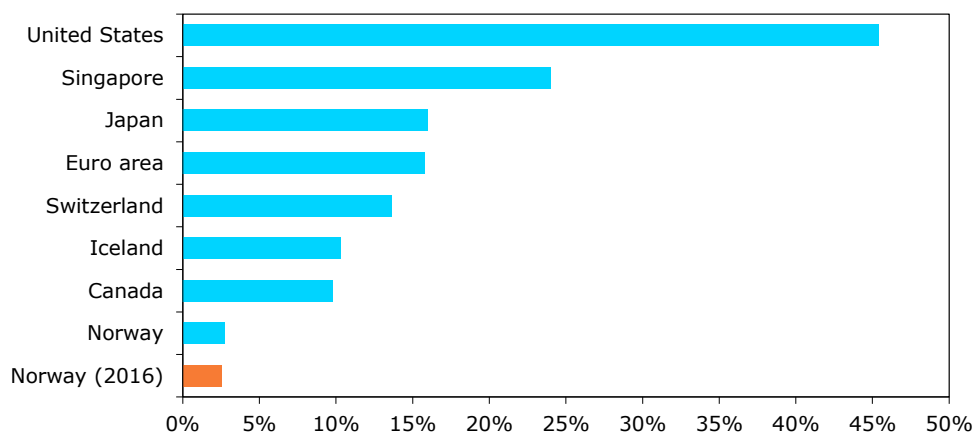
¹⁴⁷ PSD entered into force in Norway on 2 November 2011.

and processing, opened payments to new (non-bank) entrants, and created a legal platform for the Single Euro Payments Area (SEPA). In Norway, the SEPA project has been implemented so that SEPA applies to payments in euros to and from Norway, but not to payments in Norwegian kroner. The payment system in Norway comprised 15 licensed payment institutions and 6 electronic money institutions at the end of 2016.

4.137. The revised directive (PSD2)¹⁴⁸, which entered into force on 13 January 2018 in the European Union, aims at further integration of the payments market in Europe, a more level playing field for all payment services providers, safer and more secure payment procedures, enhanced consumer protection, and lower costs. PSD2 provides increased access to the banking infrastructure for third-party operators. Any business approved as Payment Initiation Service Provider (PISP) may, in agreement with the customer, generate a payment from his/her bank account without prior agreement between the PISP and the customer's bank.¹⁴⁹ Any businesses approved as an Account Information Service Provider (AISP) may collect information allowing customers to access information related to their bank accounts in different banks and countries via a single platform. Banks will have to develop open source APIs (Application Programming Interfaces) to empower financial institutions to provide these new types of services. Among its many new features, PSD2 also includes an Interchange Fee Regulation capping fees levied by card issuers on a card acquirer (usually the merchant's bank).

4.138. The Norwegian payments system has traditionally been among the most modern and efficient domestic payments systems in the world. Cash is estimated to constitute no more than 2.4% of the means of payment (M1) in Norway at present, a very low share compared with other countries (Chart 4.11). Most payments are accordingly effected by payment card or bank transfer (predominantly via the Internet). According to a survey carried out by Norges Bank in 2013, the macroeconomic costs of the payments system amounted to approximately Nkr 14.5 billion, or 0.63% of mainland GDP. About 60% of the costs were absorbed by the banks and their suppliers, the remaining costs were split roughly equally between vendors and consumers. The estimated average cost per transaction was Nkr 5.75, with significant variations depending on the method of payment (Chart 4.12). The most cost-effective payments (Nkr 2.93 per transaction) were carried out using the national debit card system (BankAxept).

Chart 4.11 Cash as a share of means of payment (M1) in selected countries, 2015



Source: Norges Bank 2017, Retail payment services 2016, No 2.

4.139. At the beginning of 2017, mobile payment services were offered by competing solutions, primarily Vipps, Mcash and Mobilepay. However, the supply side consolidated during the year with Vipps emerging as the sole application for mobile payment services.¹⁵⁰ The mobile payment

¹⁴⁸ Directive 2015/2366/EU of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No. 1093/2010, and repealing Directive 2007/64/EC.

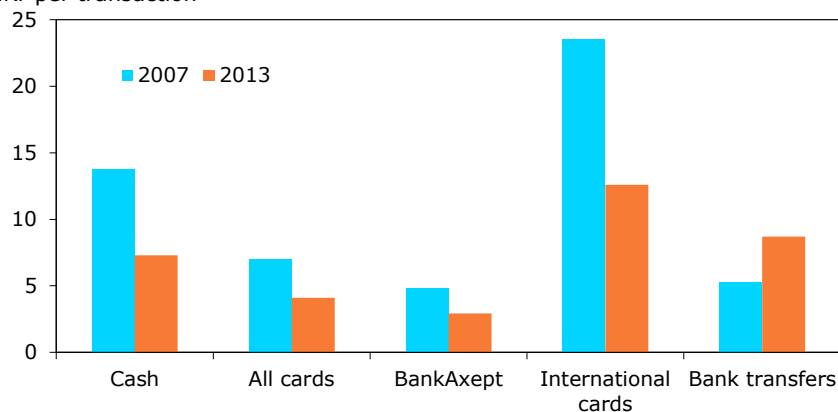
¹⁴⁹ Used between merchant and customer, this form of payment is an alternative to settlement by card or by cash.

¹⁵⁰ Vipps was established by the DNB Group in 2015. The owners of Mcash (Sparebank 1 Gruppen) and other savings banks announced in February 2017 that they were purchasing a stake in Vipps and transferring

services have so far been expensive for the banks, as international cards (Visa or Mastercard) have been used for the underlying payment transaction. However, costs are expected to decline markedly with a switch to the domestic BankAxept. Norwegian banks launched a solution for instant payments in 2012. However, the solution exposes banks to credit risk. Norges Bank and the banking industry have established a project to resolve the credit risk issue by the end of 2019. The growth of alternative, net-based forms of finance such as crowdfunding, crowdlending, and peer-to-peer lending have so far been limited in Norway.

Chart 4.12 Economic costs of different payment options, 2007 and 2013

NKr per transaction



Source: Norges Bank.

4.140. The Money Laundering Act of 15 April 2009 imposes extensive requirements to prevent and detect financial transactions related to crime or terrorist activity on the reporting entities in Norway. The intergovernmental Financial Action Task Force (FATF) carried out an extensive review of the measures taken by Norway, as one of its first such national reviews, in 2014. The FATF report noted several good initiatives but also significant weaknesses in a number of key areas, a lack of overarching national policies and strategies related to preventive measures, and the absence of a policy-level coordinating mechanism for anti-money-laundering and anti-terrorist-financing efforts.¹⁵¹ The FATF report set in motion a number of initiatives, including the establishment of a contact group for the coordination of national measures, the elaboration of a national risk assessment of the consequences of money laundering and terrorist financing, and the creation of a group of legal experts to propose changes in existing legislation. The legal experts have also been evaluating the adaptations required in Norway to implement the EU's Fourth Anti-Money Laundering Directive¹⁵², which, *inter alia*, lowers the floor on which cash payments require obligations to be placed on dealers in goods (from €15,000 to €10,000) and extends the surveillance of transactions to the entire gambling industry (and not just casinos). Actions are also being prompted by the EFTA Surveillance Authority, which has twice referred Norway to the EFTA Court of Justice for failure to bring its legislation on anti-money laundering and terrorist financing into compliance with EEA law.¹⁵³ Norway is in the process of following up on the proposals from the group of legal experts regarding implementation of the Fourth Anti-Money Laundering Directive and addressing the deficiencies noted in the FATF report.

all business related to Mcash to Vipps. The partners behind the Nordic MobilePay, Nordea and Danske Bank, decided in October that they would cease their application in Norway, and negotiate an agreement with Vipps.

¹⁵¹ Financial Action Task Force online information. Viewed at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Norway-2014.pdf>.

¹⁵² Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.

¹⁵³ EFTA Surveillance Authority online information. Viewed at: <http://www.eftasurv.int/press-publications/press-releases/internal-market/anti-money-laundering-and-terrorist-financing-%E2%80%93-norway-to-court-for-the-second-time>.

4.3.2 Distribution services

4.141. In 2016, the Norwegian retail sector comprised 71,700 enterprises. The sector accounted for 9.2% of the value added in the Norwegian mainland economy and 14% of total employment. Productivity growth in the retail sector has been consistently above the economy's average for more than 40 years, and was particularly strong during the period 1992-2003, averaging 5.2% per year. Even though growth has slowed since then, productivity has continued to grow faster in retail trade than in most other sectors.¹⁵⁴

4.142. The Enterprise Federation of Norway (Virke) estimates that the Norwegian retail market represented a turnover of Nkr 529 billion in 2016. Even though Norwegian consumers continue to spend most of their money in Norway, either by visiting shops (Nkr 457 billion) or by placing orders on the Internet from Norwegian websites (Nkr 24 billion), foreign retailers are increasing their presence through three channels: (i) shopping during weekend trips or holidays of longer duration (Nkr 25 billion); (ii) shopping-motivated day trips to border regions (Nkr 13 billion); and (iii) online shopping from foreign websites (Nkr 11 billion in 2016). Private online imports rose by 225%, nearly three times faster than online shopping from domestic suppliers, between 2011 and 2016. The growth in online shopping was spectacular compared with the corresponding 15% increase in the turnover from physical shopping in Norwegian stores during the same period.

4.143. The trend of rapidly increasing online shopping, particularly from sellers abroad, is expected to continue in years to come. In this context, Norwegian consumers face a different regulatory environment for indirect taxes than their immediate neighbours. In neighbouring Sweden, Denmark and Finland, goods and services purchased within the European Union are subject to VAT and any other taxes on consumption in the country of the seller at the rates prevailing in that EU country. No customs procedure is thus applied to cross-border sales within the European Union. For sales to Norway, whether commercial imports or imports for personal use, VAT and other indirect consumption taxes are normally zero rated in the country of exportation. customs duties (if any), VAT, and other indirect taxes are therefore collected by Norwegian Customs at Norwegian rates upon importation. Only *de minimis* imports, i.e. consignments for personal use valued at less than Nkr 350 (including postage, packing and insurance), are admitted free of customs duty and VAT.¹⁵⁵ Norwegian Customs does not charge any fee for its processing, but transporters may levy charges for their time and efforts spent on customs clearance.

4.144. Groceries, which is the largest single sub-sector, accounts for approximately 37% of the retail turnover in Norway (Chart 4.13). Between 2011 and 2016, annual turnover growth in the groceries sector averaged 3.6%, which was slightly above the average growth for retail as a whole (2.8%).¹⁵⁶ The Norwegian groceries market is characterized by a high level of concentration, which increased further in 2015 as the Swedish-based ICA Group decided to withdraw from the Norwegian market. At present, three chains dominate the groceries market, of which Norgesgruppen is the largest, followed by Coop Norge, and Reitangruppen. A fourth chain appealing to the low-price segment is also present (Bunnpris), but its market share remains low. Although online shopping of groceries is increasing, it still only accounts for 1% of the total turnover for groceries.¹⁵⁷ Norwegian groceries stores have traditionally been facing some competition from food and other products sold at petrol stations and, locally, also felt the impact of day-trip shopping in Sweden. However, these competitive pressures do not seem to be increasing at present. Instead, fast-food, catering, and restaurants appear to offer the main challenge as an alternative to food shopping.

4.145. The retail businesses experiencing the fastest growth in Norway are those that have been successful in widening their range of goods on offer and/or that have developed online shopping as tool to reach their customers. For example, pharmacies have expanded their assortment to include cosmetics, and sports outlets also offer sports clothing and footwear. On average, two thirds of the chains engaged in retail trade offer shopping online, but with marked disparities between the

¹⁵⁴ For 2012-2016, Statistics Norway has estimated the average annual productivity growth in retail trade at 2.3% versus 1.3% for the mainland economy as a whole.

¹⁵⁵ Excise duties on imported alcoholic beverages are never waived, and special permission is required for online shopping of tobacco and tobacco products.

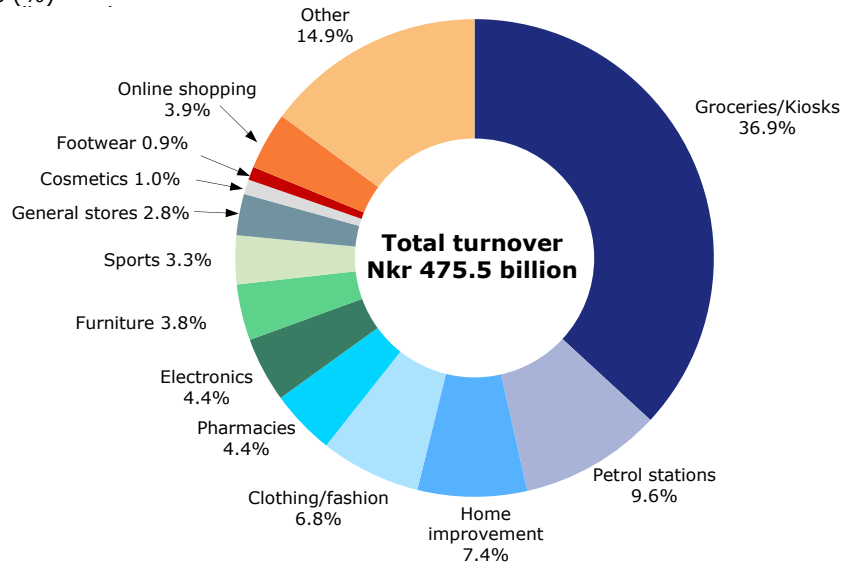
¹⁵⁶ Due to annual growth in online shopping from Norwegian stores averaging 12.9% between 2011 and 2016, the average growth in retail trade including online shopping was 3.1% during the period.

¹⁵⁷ Among the 11 existing groceries chains, only 2 of them offer online shopping at present.

various subsectors. Growth has been sluggish in businesses facing a changing market, e.g. the effect of streaming on the demand for audio/video products. For clothing and footwear stores, competition has become more intense from online shopping, holiday purchasing, and other specialized retailers (such as sports shops) making inroads into their traditional business.

Chart 4.13 Retail trade in Norway, 2016

Market shares (%)



Source: The Enterprise Federation of Norway (Virke).

5 APPENDIX TABLES

Table A1.1 Merchandise exports by group of products, 2012-16

	2012	2013	2014	2015	2016
Total exports (US\$ billion)	161.0	155.4	144.6	104.8	89.6
	% of total exports				
Total primary products	81.5	80.2	79.0	74.1	72.4
Agriculture	6.5	7.8	8.8	10.3	13.5
Food	6.0	7.2	8.1	9.5	12.6
03 Fish	5.4	6.6	7.3	8.5	11.9
0341 - Fish, fresh or chilled	2.8	3.9	4.2	5.0	7.3
0342 - Fish, frozen	1.0	1.1	1.2	1.2	1.6
0345 - Fish fillets, fresh or chilled, and other fish meat, fresh, chilled or frozen	0.5	0.6	0.7	0.8	1.2
0344 - Fish fillets, frozen	0.4	0.4	0.5	0.6	0.7
0351 - Fish, dried, salted or in brine, but not smoked	0.5	0.4	0.5	0.6	0.6
Agricultural raw material	0.5	0.6	0.7	0.8	0.9
Mining	75.0	72.4	70.2	63.8	58.9
Ores and other minerals	0.9	0.9	0.9	0.9	0.5
Non-ferrous metals	4.2	3.9	4.4	5.2	5.3
6841 - Aluminium and aluminium alloys, unwrought	2.1	1.9	2.2	2.6	2.7
6831 - Nickel and nickel alloys, unwrought	1.0	0.9	1.0	1.1	1.0
6842 - Aluminium and aluminium alloys, worked	0.5	0.5	0.6	0.7	0.7
Fuels	69.8	67.6	64.9	57.7	53.0
3330 - Petroleum oils and oils obtained from bituminous minerals, crude	34.0	32.0	32.0	24.2	25.5
3432 - Natural gas, in the gaseous state	25.9	26.3	23.0	25.1	20.4
334 - Petroleum oils and oils obtained from bituminous minerals (other than crude)	5.6	5.4	5.2	4.9	3.6
3431 - Natural gas, liquefied	1.1	1.0	1.6	1.3	1.0
3421 - Propane, liquefied	1.3	1.1	1.2	0.8	0.8
3510 - Electric current	0.5	0.5	0.6	0.5	0.7
3425 - Butanes, liquefied	1.0	1.0	1.0	0.6	0.6
Manufactures	14.9	16.2	17.5	21.5	22.7
Iron and steel	1.0	1.0	1.1	1.2	1.2
6715 - Other ferro-alloys	0.5	0.5	0.6	0.6	0.6
Chemicals	2.2	2.3	2.7	3.3	3.9
5147 - Carboxyamide-function compounds	0.4	0.5	0.5	0.8	1.0
Other semi-manufactures	1.4	1.8	1.6	2.2	2.2
Machinery and transport equipment	7.9	8.7	9.4	11.7	12.1
Power generating machines	0.5	0.4	0.6	0.8	0.9
Other non-electrical machinery	3.5	3.9	4.2	5.2	4.5
Agricultural machinery and tractors	0.1	0.1	0.1	0.1	0.1
Office machines & telecommunication equipment	0.8	0.8	0.9	1.1	1.0
Other electrical machines	1.3	1.5	1.5	1.7	1.0
7731 - Insulated wire, cable (including co-axial cable) and other insulated electric conductors	0.4	0.5	0.4	0.5	0.6
Automotive products	0.5	0.5	0.5	0.7	0.9
Other transport equipment	1.3	1.5	1.7	2.1	2.8
7932 - Ships, boats and other vessels	0.8	0.8	0.9	0.8	2.0
Textiles	0.1	0.1	0.1	0.2	0.2
Clothing	0.1	0.1	0.1	0.1	0.1
Other consumer goods	2.1	2.2	2.4	2.9	3.0
Other	3.6	3.6	3.6	4.4	4.9

Source: UNSD, Comtrade database (SITC Rev.3); and Statistics Norway. Viewed at: <http://www.ssb.no/en>.

Table A1.2 Merchandise imports by group of products, 2012-16

	2012	2013	2014	2015	2016
Total imports (US\$ billion)	87.3	89.8	89.4	77.2	72.8
	(% of total imports)				
Total primary products	23.0	23.0	21.5	20.1	16.2
Agriculture	10.3	10.5	10.7	10.8	8.4
Food	9.0	9.3	9.4	9.5	7.1
0989 - Food preparations, n.e.s.	0.7	0.8	0.8	0.8	0.7
Agricultural raw material	1.3	1.2	1.3	1.3	1.3
Mining	12.7	12.5	10.9	9.3	7.8
Ores and other minerals	4.6	3.9	4.0	3.8	3.0
2842 - Nickel mattes, nickel oxide sinters	2.6	2.1	2.1	1.7	1.3
2852 - Alumina (aluminium oxide)	0.8	0.8	0.8	1.0	0.9
Non-ferrous metals	1.8	1.5	1.6	1.2	1.3
Fuels	6.2	7.1	5.3	4.3	3.5
334 - Petroleum oils and oils obtained from bituminous minerals (other than crude)	3.8	4.1	3.2	2.8	2.5
Manufactures	75.1	75.3	77.0	78.2	78.8
Iron and steel	2.7	2.5	2.9	2.4	2.3
6791 - Tubes, pipes and hollow profiles, seamless, of iron or steel	0.8	0.7	0.8	0.7	0.7
Chemicals	9.0	8.9	9.1	9.1	9.7
5429 - Medicaments, n.e.s.	1.5	1.4	1.5	1.4	1.6
Other semi-manufactures	9.6	9.5	9.7	9.5	9.4
6911 - Structures and parts of structures	1.4	1.2	1.4	1.5	1.2
6353 - Builders' joinery and carpentry of wood	0.6	0.7	0.7	0.6	0.7
Machinery and transport equipment	38.3	38.7	39.4	40.7	40.3
Power generating machines	1.3	1.1	1.2	1.4	1.5
Other non-electrical machinery	9.7	10.1	10.2	9.9	9.6
Agricultural machinery and tractors	0.8	0.8	0.7	0.7	0.8
Office machines & telecommunication equipment	7.3	7.1	6.9	6.7	6.8
7643 - Transmission apparatus for radio-telephony, radio-telegraphy, etc.	1.2	1.3	1.2	1.3	1.4
7522 - Digital automatic data-processing machines	1.2	1.2	1.2	1.0	1.0
Other electrical machines	4.5	4.9	5.1	4.8	5.2
Automotive products	9.3	9.6	9.2	9.3	11.4
7812 - Motor vehicles for the transport of persons, n.e.s.	6.0	6.3	6.1	6.4	7.0
7821 - Motor vehicles for the transport of goods	1.7	1.6	1.5	1.4	1.7
7843 - Other parts and accessories of the motor vehicles	0.9	0.9	1.0	1.0	1.1
Other transport equipment	6.1	6.1	6.7	8.5	5.9
7932 - Ships, boats and other vessels	2.2	2.7	1.8	2.1	3.6
Textiles	1.0	1.0	1.1	1.1	1.1
Clothing	3.1	3.1	3.0	3.1	3.3
Other consumer goods	11.4	11.5	11.8	12.3	12.7
8215 - Furniture, n.e.s., of wood	0.8	0.8	0.8	0.8	0.8
8211 - Seats	0.7	0.7	0.7	0.7	0.7
Other	1.9	1.7	1.5	1.7	5.0

Source: UNSD, Comtrade database (SITC Rev.3); and Statistics Norway. Viewed at: <http://www.ssb.no/en>.

Table A1.3 Merchandise exports by destination, 2012-16

	2012	2013	2014	2015	2016
Total exports (US\$ billion)	161.0	155.4	144.6	104.8	89.6
	(% of total exports)				
Americas	6.8	6.4	5.5	6.6	7.1
United States	5.0	4.4	3.7	4.4	4.2
Other America	1.7	2.0	1.8	2.2	2.9
Canada	0.5	0.9	0.5	0.7	1.1
Brazil	0.6	0.6	0.8	0.6	0.5
Europe	83.0	83.6	83.6	80.8	80.1
EU(28)	81.3	82.1	81.8	79.4	78.2
United Kingdom	26.5	24.1	22.7	20.1	20.7
Germany	12.0	17.2	16.9	17.8	14.3
Netherlands	12.2	10.9	13.3	11.0	10.6
France	6.3	7.4	6.1	6.6	6.8
Sweden	6.3	5.8	5.7	5.9	6.4
Belgium	2.9	5.2	4.7	4.9	4.4
Denmark	4.1	3.7	3.8	3.9	4.0
Poland	1.5	1.8	1.8	1.9	2.3
Spain	1.6	1.2	1.7	1.5	1.8
Ireland	1.0	1.0	0.9	1.4	1.6
Italy	2.3	0.8	0.8	0.9	1.3
Finland	1.5	1.0	1.5	1.1	1.3
Lithuania	0.2	0.3	0.3	0.5	0.7
Portugal	0.3	0.3	0.4	0.5	0.6
EFTA	0.9	0.8	0.9	0.8	1.1
Other Europe	0.8	0.8	0.9	0.6	0.8
Turkey	0.6	0.6	0.7	0.5	0.6
Commonwealth of independent states (CIS)	1.2	1.3	0.9	0.7	0.9
Africa	1.0	1.1	1.4	1.6	2.3
Middle East	0.5	0.5	0.5	0.7	0.7
Asia	7.6	7.1	8.1	9.6	8.9
China	1.5	1.8	2.3	2.9	2.6
Japan	0.9	0.8	1.1	1.2	1.4
Other Asia	5.2	4.5	4.7	5.6	4.9
Korea, Republic of	2.8	1.7	1.6	2.0	1.4
Singapore	0.8	1.1	1.3	1.3	1.1
Other	0.0	0.0	0.0	0.0	0.0

Source: UNSD, Comtrade database; and Statistics Norway. Viewed at: <http://www.ssb.no/en>.

Table A1.4 Merchandise imports by origin, 2012-16

	2012	2013	2014	2015	2016
Total imports (US\$ billion)	87.3	89.8	89.4	77.2	72.8
	(% of total imports)				
Americas	11.3	10.3	11.5	11.5	11.1
United States	5.4	5.4	6.2	6.5	6.4
Other America	5.9	4.9	5.3	5.0	4.6
Canada	2.9	2.2	2.6	2.0	1.8
Brazil	1.7	1.5	1.4	1.7	1.5
Europe	66.9	67.5	66.3	63.3	65.3
EU(28)	64.2	64.7	63.5	60.7	62.5
Germany	12.4	12.4	11.8	11.3	12.0
Sweden	13.5	13.3	12.2	11.5	11.9
Denmark	6.2	6.1	6.1	5.7	5.6
United Kingdom	6.1	6.4	6.5	6.4	5.0
Netherlands	3.9	3.9	3.7	3.6	4.0
Poland	3.0	3.2	3.2	3.0	3.5
France	3.2	3.3	3.4	3.3	3.3
Italy	2.8	3.0	3.1	3.0	3.0
Finland	2.8	2.5	2.3	2.2	2.4
Spain	1.4	1.6	1.8	1.8	2.3
Belgium	2.0	1.9	1.8	1.7	1.8
Czech Republic	1.0	1.1	1.0	1.0	1.1
Lithuania	0.8	0.9	1.0	1.0	1.1
Estonia	0.7	0.8	0.8	0.8	0.8
EFTA	1.7	1.6	1.6	1.5	1.5
Switzerland	1.4	1.3	1.4	1.2	1.2
Other Europe	1.0	1.2	1.1	1.1	1.2
Turkey	0.9	1.1	1.0	0.9	1.1
Commonwealth of independent states (CIS)	2.6	2.1	2.0	2.1	1.8
Russian Federation	2.0	1.7	1.8	1.8	1.6
Africa	1.7	2.5	1.7	1.5	1.3
Middle East	0.2	0.2	0.5	0.4	0.3
Asia	17.3	17.3	17.9	21.3	20.2
China	9.3	9.2	9.5	10.5	11.0
Japan	2.3	2.2	2.3	2.2	2.3
Other Asia	5.7	5.9	6.2	8.6	6.8
Korea, Republic of	1.3	1.9	1.7	4.2	2.8

Source: UNSD, Comtrade database; and Statistics Norway. Viewed at: <http://www.ssb.no/en>.

Table A3.1 EFTA Surveillance Authority - State aid register, 2016-17

Title of scheme	Decision	Reference	Press release	OJ reference
2017				
Tax reductions on zero emission vehicles	No objections	228/17/COL of 19.12.17	PR(17)41	
Employee share options	No objections	225/17/COL of 15.12.17	PR(17)39	
The Norwegian Special Tax System for Shipping 2018-2027	No objections	214/17/COL of 14.12.17	PR(17)38	
Amendment to the tax and social security contributions refund scheme for employing seafarers 2016-2026 (NIS deep sea)	No objections	156/17/COL of 14.9.17	PR(17)28	C 429 14.12.2017 p. 27 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C1214(01)&from=EN)
Continued financing of CO ₂ Technology Centre Mongstad	No objections	146/17/COL of 8.8.17	PR(17)27	C 377 9.11.2017 p. 9 (http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2017.377.01.0009.01.ENG&toC=OJ:C:2017:377:TOC)
Hydrogen refuelling stations in Akershus	No objections	145/17/COL of 25.7.17	PR(17)26	C 377 9.11.2017 p. 8 (http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2017.377.01.0008.01.ENG&toC=OJ:C:2017:377:TOC)
Prolongation and modification of the Charter Fund Scheme for Northern Norway	No objections	143/17/COL of 13.7.17	PR(17)23	C 333 5.10.2017 p. 8 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C1005(01)&from=EN)
Individual aid in favour of Ranheim Energi AS	No objections	112/17/COL of 27.6.17	PR(17)21	C 313 21.9.2017 p. 4 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C0921(02)&from=EN)
Extend the special tax regime for shipping	No objections	109/17/COL of 23.6.17	PR(17)20	C 313 21.9.2017 p. 3 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C0921(01)&from=EN)
Increased budget of an aid scheme for short sea shipping services	No objections	103/17/COL of 20.6.17	PR(17)19	C 303 14.9.2017 p. 5 (http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2017.303.01.0005.01.ENG&toC=OJ:C:2017:303:TOC)
The exemption rule for ambulant services under the scheme on differentiated social security contributions 2014-2020	Positive	094/17/COL of 31.5.17	PR(17)18	
The Coastal Agreement for Hurtigruten Maritime Services 2012-2019	Positive	070/17/COL of 29.3.17	PR(17)11	
Alleged aid involved in an exemption from air passenger tax for departures from Norwegian airports	No aid	064/17/COL of 29.3.17	PR(17)12	C 198 22.6.2017 p. 5 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C0622(02)&from=EN)
The financing of "Concept and FEED Studies" on full-scale CO ₂ capture and storage	No objections	045/17/COL of 16.3.17	PR(17)09	C 198 22.6.2017 p. 4 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C0622(01)&from=EN)
2016				
Demo Scheme 2017-2022 by Enova	No objections	234/16/COL of 15.12.16	PR(16)56	C 90 23.3.2017 p. 6 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C0323(03)&from=EN)

Title of scheme	Decision	Reference	Press release	OJ reference
ECO-INN Scheme 2017-2022 by Enova	No objections	233/16/COL of 15.12.16	PR(16)56	C 90 23.3.2017 p. 5 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C0323(02)&from=EN)
Prolongation of the alternative fuels infrastructure programme 2017-2022 by Enova	No objections	232/16/COL of 15.12.16	PR(16)56	C 90 23.3.2017 p. 4 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C0323(01)&from=EN)
An aid scheme for a reduced rate of taxation on electricity directly provided to vessels	No objections	216/16/COL of 1.12.16	PR(16)55	C 81 16.3.2017 p. 6 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C0316(02)&from=EN)
Individual aid in favour of Arba Follum AS for the construction of a demonstration plant for the production of black wood pellets	No objections	210/16/COL of 28.11.16	PR(16)54	C 81 16.3.2017 p. 5 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C0316(01)&from=EN)
An aid scheme for short sea shipping services	No objections	208/16/COL of 21.11.16	PR(16)51	C 42 9.2.2017 p. 4 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C0209(02)&from=EN)
Six month prolongation of the special tax system for shipping	No objections	201/16/COL of 11.11.16	PR(16)50	C 42 9.2.2017 p. 3 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2017C0209(01)&from=EN)
The pricing mechanism for market loans of Export Credit Norway	No aid	165/16/COL of 12.9.16	PR(16)39	C 447 1.12.2016 p. 12 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2016C1201(02)&from=EN)
Alleged state aid involved in levies imposed on fish exporters and exported fish products	Closing case	Document No 810449 of 27.7.16	-	- Related EFTA Court procedure E-12/16
Alleged state aid arising from the Norwegian import duty exemption for certain low-value goods imported by final consumers	No objections	155/16/COL of 13.7.16	PR(16)31	C 434 24.11.2016 p. 5 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2016C1124(02)&from=EN)
Amendment to the Norwegian Tax Act concerning changes in the depreciation rules for wind power plants	No objections	150/16/COL of 6.7.16	PR(16)30	C 434 24.11.2016 p. 4 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2016C1124(01)&from=EN)
Sale of four properties in Hauskvartalet in Oslo	No aid	127/16/COL of 15.6.16	PR(16)27	C 413 10.11.2016 p. 6 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2016C1110(02)&from=EN)
Amendments to the production grant scheme for news and current affairs media	No objections	126/16/COL of 15.6.16	PR(16)26	C 413 10.11.2016 p. 5 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2016C1110(01)&from=EN)
Aid in favour of Glencore Nikkelverk AS for the construction of a copper production demonstration plant	No objections	125/16/COL of 25.5.16	PR(16)23	C 374 13.10.2016 p. 4 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2016C1013(02)&from=EN)
Aid in favour of Alcoa Norway ANS for the construction of a demonstration plant	No objections	124/16/COL of 25.5.16	PR(16)24	C 374 13.10.2016 p. 3 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2016C1013(01)&from=EN)
The tax refund scheme for employing seafarers 2016-2026	No objections	085/16/COL of 27.4.16	PR(16)14	C 386 20.10.2016 p.13 (http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1501853019434&uri=CELEX:E2016C1020(01))

Title of scheme	Decision	Reference	Press release	OJ reference
An aid Scheme for investment in European Rail Traffic Management System (ERTMS)	No objections	063/16/COL of 16.3.16	PR(16)10	C 357 29.9.2016 p. 29 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2016C0929(01)&from=EN)
A zero VAT rate for electronic news services	No objections	023/16/COL of 25.1.16	PR(16)02	C 396 27.10.2016 p. 6 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:E2016C1027(01)&from=EN)

Source: <http://www.eftasurv.int/state-aid/state-aid-register/norway/>.