

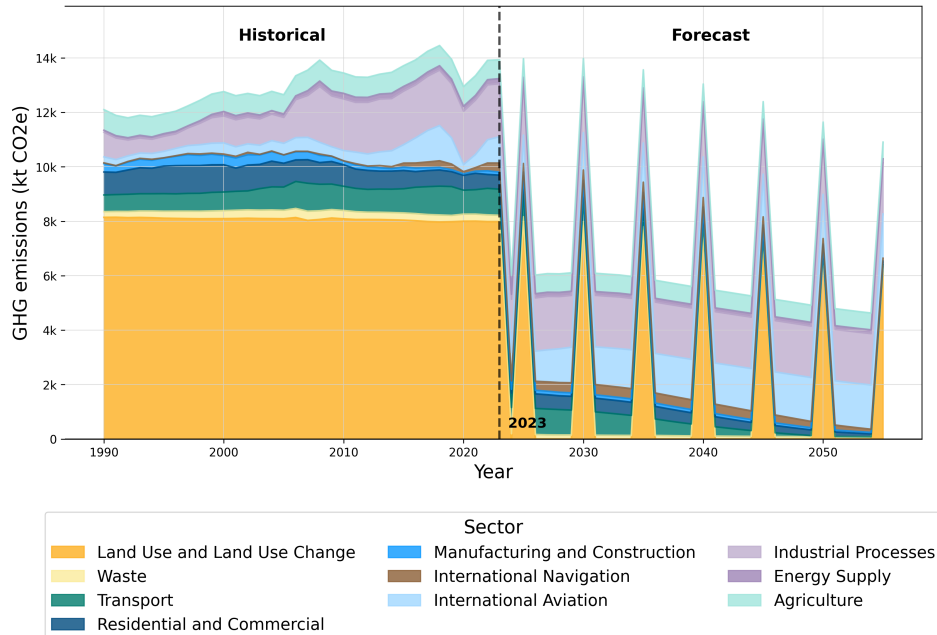


National system for policies and measures and greenhouse gas projections of Iceland

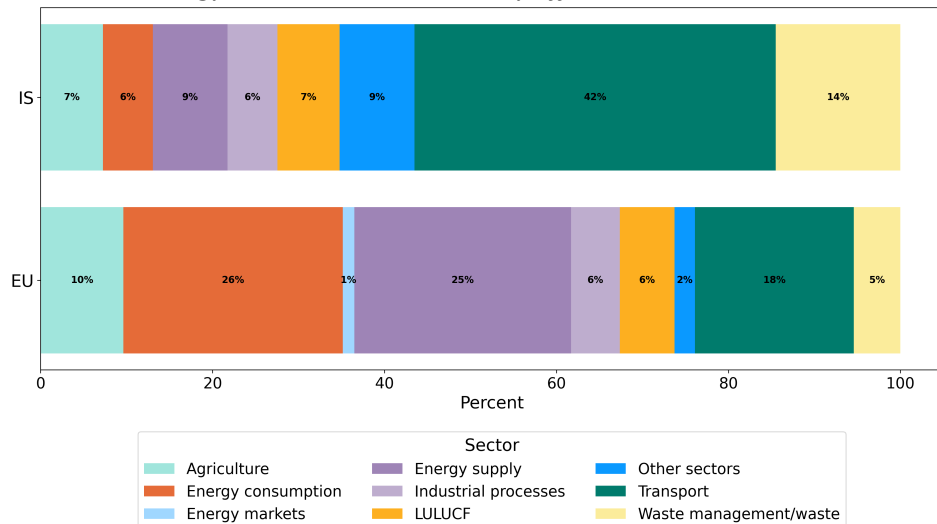
Information reported in 2025

A robust and complete national system ensures the delivery of good-quality information on the projections of anthropogenic greenhouse gas emissions by sources and removals by sinks, as well as policies and measures in place to implement National Climate and Energy Plans. The two figures provide an overview of the information submitted by Iceland in 2025, enabled by the national system, as laid out below.

Historical and projected greenhouse gas emission in Iceland by sector in 2025.



Reported climate and energy Policies and Measures by affected sector in Iceland.



Institutional and procedural robustness

Institutional arrangements

The Icelandic Environment and Energy Agency (IEEA), which is under the jurisdiction of the Ministry of the Environment, Energy, and Climate, carries the overall responsibility for preparation of reports on policies and measures and of projections as well as for reporting on them.

The Emissions Inventories Unit (Teymi losunarbókhalds), which is within the Air and Climate Department (Svið loftslagsmála) at the IEEA carry out this responsibility. That includes data collection on policies and measures as well as for the projections, emission estimations, quantification of policies and measures, performing QC and sensitivity analysis, submission of reports, receiving QA and publication of the official submissions. The same unit is also responsible for the air pollutant inventory, reported to the Convention on Long-range Transboundary Air Pollution (CLRTAP).

Land and Forest Iceland (Land og skógur) (LaFI) is the agency responsible for reporting on policies and measures and projections of Land Use, Land-Use Change, and Forestry (LULUCF). LaFI reports the information to the IEEA, which submits everything together to the EU and the EFTA Surveillance Authority (ESA). The same experts are also responsible for the LULUCF sector in the historical GHG inventory.

The Minister of the Environment, Energy, and Climate is obliged, according to the Climate Act No 70/2012, to see to the production of a climate mitigation action plan and appoint the Interministerial Steering Committee (ISC) for Climate Action. The ISC is to report annually to the Minister of the Environment, Energy and Climate on the progress of the Climate Action Plan. The report shall review emissions trends and whether they are in accordance with plans and make recommendations for improvement.

Procedural and administrative arrangements and timescales

The Icelandic Environment and Energy Agency (IEEA) is responsible for ensuring the timeliness, transparency, accuracy, consistency, comparability, and completeness of the information reported on policies and measures and projections.

A date is set by which the members of the ISC provide a list of the policies and measures connected to their respective ministries to be included in the reporting, along with relevant information regarding each policy and measure, e.g., status of implementation, start year of implementation etc. The IEEA and Land and Forest Iceland (LaFI) experts then decide whether they can do an ex-ante analysis of these measures and whether they can be included in a projection scenario.

This report is based on the measures figuring in the latest version of Iceland's Climate Action Plan (2024). Every measure published in the Climate Action Plan includes details about the entity responsible for that specific measure, a performance indicator (where available), funding (where available), and impact on emissions (where available). All PaMs in the Climate Action Plan, which are implemented, adopted or planned are included, but other relevant PaMs may be included as well, if deemed appropriate. Implemented and adopted PaMs are used in the WEM scenario if they can be evaluated or are believed to affect the projections, and planned PaMs are used in the WAM scenario if they can be evaluated.

To ensure accuracy and completeness, the projections follow the greenhouse gas source and sink categorisations and methodology recommended by the European Commission (based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories and revised UNFCCC CRT tables for inventory reporting) and are reported ensuring that all relevant categories are described. Full

geographical coverage is assured.

The reporting uses publicly available data to the extent possible.

The same inventory experts from the IEEA and LaFI prepare both the historical GHG inventory and the reporting on policies, measures and projections, ensuring consistency and comparability between the historical and projected GHG emissions in each sector.

The PaMs and Projections lead reporters are advisors to the ISC, which involves regular meetings with the Ministry of the Environment, Energy, and Climate (MEEC) and ensures that the MEEC is kept up to date on reporting guidelines related to PaMs and Projections reporting. Based on issues raised during these meetings, the MEEC facilitates communications between other relevant ministries and the IEEA where applicable.

The Emissions Inventories Unit aims at having the data and report ready a few weeks before the deadline to leave enough time to perform the remaining QA/QC activities.

Procedures for the official consideration and approval of the Member States national system

The Ministry of the Environment, Energy, and Climate has tasked Icelandic Environment and Energy Agency (IEEA) with the overall responsibility of the work related to the reporting on Policies and Measures and Projections in accordance with the EU legislations implemented by the decision of the EEA Joint Committee No 269/2019 and transposed into Icelandic law by an amendment to the Climate Act No 70/2012.

Regular meetings between the Climate Unit at the Ministry of the Environment, Energy, and Climate and the inventory experts at the IEEA and Land and Forest Iceland, as well as the participation of the PaMs and Projections coordinators in the meetings of the ISC ensure that all involved parties are well informed and engaged in the process.

Description of the information collection process

Since the historical and projected GHG emissions are prepared by the same inventory experts, the experts prepare the calculations of both timelines in parallel. Data collected for the historical inventory forms the basis for the projections. Description of the data collection for the historical inventory can be found in Iceland's latest NID.

Below is an overview of the main data collection process for the projections and ex-ante analysis:

- The Icelandic Environment and Energy Agency and Land and Forest Iceland collect the bulk of data necessary to estimate future emissions (activity data and emission factors) for their respective sectors. Activity data is collected from various institutions and companies, as well as inhouse.
- Information on status of implementation of policies and measures is obtained from the ministries through the members of the Interministerial steering committee.
- Data is collected mostly through e-mail requests.
- To obtain expert judgement on assumptions that need to be made, inquiries are sent out to specialists. The inventory experts often provide the specialists with a few different scenarios, and the specialists are asked to pick the scenario they deem most likely and provide a justification for their choice.

Data for evaluation of PaMs are collected from projects and programs supported by various institutions, ministries, companies, and associations. All PaMs which are evaluated are included in the reported WEM or WAM scenario. Some PaMs are assumed to be included the WEM scenario projections, although it was not possible to quantify them specifically.

Description of the process for selecting assumptions, methodologies and models for making projections of anthropogenic greenhouse gas emissions

Sectoral experts from the Icelandic Environment and Energy Agency (IEEA) and Land and Forest Iceland (LaFI) are responsible for selecting the assumptions, methods, and models to use for the projections. The IEEA's experts work closely and interact regularly with other key experts in order to establish an appropriate set of assumptions and methods. The IEEA and LaFI experts transparently document the data sources, methods, and assumptions.

Institutional administrative and procedural arrangements for domestic implementation of EU's NDC

Under the Paris Agreement, Iceland is acting jointly with the EU member states, Iceland and Norway to reach a target of 55% reduction of greenhouse gas emissions by 2030 compared to 1990 levels. As previously described, this includes participation in the EU ETS as well as implementation of the ESR and the LULUCF Regulation. The arrangements for domestic implementation of the ESR and the LULUCF Regulation are mostly related to the Climate Action Plan and are described in paragraphs 2.1, 2.2 and 2.3 above and paragraph 3.2 below.

Formality

Legal arrangements

Under the Paris Agreement, Iceland is acting jointly with the EU member states, Iceland and Norway to reach a target of 55% reduction of greenhouse gas emissions by 2030 compared to 1990 levels. For the period 2021-2030 Iceland has committed to:

- a) continuing its participation in the EU Emissions Trading Scheme (EU ETS) according to Directive 2003/87/EC. The main activities covered by the EU ETS in Iceland (apart from aviation) are the production of aluminium, ferrosilicon and silicon metal.
- b) reducing emissions falling under the scope of the EU's Effort Sharing Regulation (Regulation (EU) 2018/842 – ESR) The main activities and sectors within the scope of the ESR are road transport, fishing, agriculture, waste and F-gases. The Effort Sharing target for 2030 currently in force in Iceland is 29% reduction relative to 2005, in line with the EU's former overall goal of 40% reduction in emissions in 2030 relative to 1990. At the time of this writing, work is in progress to determine a new target in line with EU's updated target of 55% reduction in emissions in 2030 relative to 1990;
- c) implementing the reporting and accounting rules pertaining to emissions and removals from the Land Use, Land-use Change, and Forestry (LULUCF) as prescribed by the LULUCF regulation (Regulation (EU) 2018/841) The LULUCF target for 2030 currently in force in Iceland is according to the no-debit rule; as for the ESR discussed above, work is in progress to determine a LULUCF target in line with the the EU's updated 2030 targets.

Iceland's and Norway's collaboration with the EU Member States for the 2030 emissions targets was agreed upon with the uptake in October 2019 of relevant EU legislation into Protocol 31 to the European Economic Area (EEA) Agreement. This includes the LULUCF Regulation (Regulation (EU) 2018/841) and the Effort Sharing Regulation (Regulation (EU) 2018/842) (as mentioned above), as well as relevant articles of the Governance of the Energy Union Regulation (Regulation (EU) 2018/1999) pursuant to the rules regarding the greenhouse gas inventories (including reporting on national systems, policies and measures, and projections) and replacing the MMR Regulation (Regulation (EU) No 525/2013). In 2021, two additional acts were added to the EEA Agreement: Commission Implementing Regulation (EU) 2020/1208 on structure, format, submission processes and review of information to be reported, as well as Commission Delegated Regulation (EU) 2020/1044 on GWP, reporting guidelines and union inventory system. Iceland has implemented the LULUCF Regulation and the ESR through the Climate Act No 70/2012 ("lög um loftslagsmál nr.

70/2012”).

Following the EU’s updates to the ESR, the LULUCF Regulation and the Governance Regulation to align with the new target of 55% reduction by 2030 relative to 1990, work is currently underway to incorporate the updated inventory-related acts. This includes Regulation (EU) 2023/839 amending the LULUCF regulation, Regulation (EU) 2023/857 amending the ESR, and Commission Implementing Regulation (EU) 2024/1281 amending Commission Implementing Regulation (EU) 2020/1208.

At the time of writing, the Climate Act No 70/2012 is under complete revision by the Ministry of the Environment, Energy and Climate. Following the amendment of the Climate Act, Regulation No 520/2017 (on data collection and information from institutions related to Iceland’s inventory of greenhouse gas emissions and carbon removal) will be revised to reflect the most recent legal framework.

Iceland’s reporting obligations are stipulated in the aforementioned regulations. In accordance, Iceland reports the greenhouse gas (GHG) emissions by sources or enhanced removals by sinks, the information on national systems, policies and measures (PaMs) regarding climate change mitigation, and national projections of anthropogenic GHG emissions by sources and their removal by sinks. Legal (EU) basis for the reporting on National Systems, Policies and Measures, and Projections are found in Articles 18(1)(a), 18(1)(b) and 39 in the Governance Regulation and Articles 36, 37, and 38 in the Implementing Regulation (EU) 2020/1208.

According to Annex VII of the Governance Regulation, the report should include total GHG projections, as well as disaggregated projections by the scope of following regulations:

- Emissions falling under EU ETS Directive 2003/87/EC.
- Emissions falling under the ESR (Regulation 2018/842).
- Emissions and Removals Under the LULUCF Regulation (Regulation 2018/841).

The Climate Act establishes the national system for the estimation of GHG emissions by sources and removals by sinks, including the work on policies, measures and projections. It also establishes a national registry and describes the roles and responsibilities of the relevant government agencies involved. It also serves as the legal basis for the development of national Climate Action Plans and Progress Reports. This law, in conjunction with Act No 96/2023 on the EU Emissions Trading System (see section 2.1.1.4 below), ensures conditions for the government to fulfil its international obligations regarding climate change.

The objectives of the Climate Act are the following:

- to reduce GHG emissions efficiently and cost-effectively;
- to increase carbon removal from the atmosphere;
- to promote adaptations to the consequences of climate change;
- to create conditions for the government to fulfil its international obligations regarding climate change; and
- to reach carbon neutrality no later than 2040.

Article 5 of the Climate Act describes the obligation of the Minister of the Environment, Energy, and Climate to see to the production of a climate mitigation action plan (referred to in this report as the Climate Action Plan). It also establishes the Interministerial Steering Committee (ISC) for Climate Action composed by members appointed by the Minister of the Environment, Energy, and Climate as well as ministers from other relevant ministries; the ISC is to report annually to the Minister of the Environment, Energy and Climate on the progress of the Climate Action Plan. The report shall review emissions trends and whether they are in accordance with plans and make

recommendations for improvement. Article 5 also provides the legal basis for Regulation No 786/2024 on the steering committee for the production and follow up of climate-related action plans (see 2.1.1.3 below).

Article 5 also establishes Iceland's Climate Council and defines its role in providing restraint and advising the government regarding Iceland's Climate Action Plans.

Article 6 of the Climate Act addresses Iceland's GHG inventory. It states that the Icelandic Environment and Energy Agency (Umhverfis- og orkustofnun) (IEEA), an agency under the auspices of the Ministry of the Environment, Energy, and Climate, carries the overall responsibility for the national inventory. The IEEA compiles and maintains the GHG emission inventory for the energy, industrial processes and product use, agriculture and waste sectors, whereas the LULUCF sector is compiled and maintained by Land and Forest Iceland (Land og skógur) (LaFI). This Article covers requirements relating to the historical GHG inventory, as well as to the compilation of policies and measures, and the GHG projections.

The Climate Act specifies that the IEEA is allowed to request all data needed for the inventory from relevant authorities, agencies, companies, and individuals; the obligations are further elaborated in Regulation No 520/2017.

At the time of writing, the Climate Act No 70/2012 is under complete revision by the Ministry of the Environment, Energy and Climate, amongst other things to reflect changes to the various institutions responsible for the inventory, and the incorporation of updated EU regulations concerning the targets for greenhouse gas emission reductions by 2030.

Icelandic Regulation No 520/2017 covers data collection and information from institutions relates to Iceland's inventory on GHG emissions and removal of carbon from the atmosphere and was adopted pursuant to Art. 6.3 of Act No 70/2012. The regulation establishes formally the data provision modalities, such as content, format and deadlines for data submission to the IEEA.

This regulation will be updated soon to reflect the most recent legal framework.

Alignment with other reporting frameworks

GHG inventory reporting

The same inventory experts from the Icelandic Environment and Energy Agency and Land and Forest Iceland, who prepare the historical GHG inventory, are involved in the PaMs and projections reporting, ensuring consistency and comparability between the historical and projected GHG emissions in each sector.

Article 17 of the Governance Regulation (EU) 2018/1999 (NECPR)

According to the EEA Joint Committee Decision No 269/2019, Iceland implements only the provisions of the Governance Regulation relating to climate reporting. Art. 17 is not implemented, but according to the Declaration on national plans, related to the EEA Joint Committee Decision No 269/2019, Iceland developed, on a voluntary basis, a national plan describing how Iceland intends to fulfil the commitments undertaken in relation the implementation of Regulation (EU) 2018/841 and Regulation (EU) 2018/842. The National Plan on Climate was published in 2020.

Reporting on PaMs in the National Plan was based on the Report on Policies and Measures and Projections submitted by the EAI in 2019.

Accountability and transparency

Quality control activities

All the expert organisations providing information for the reporting have their own quality assurance and quality control (QA/QC) procedures. The Icelandic Environment and Energy Agency is responsible for collecting and combining all the information and for ensuring that further quality checks are performed.

The QA/QC procedures for the GHG inventory is explained in Iceland's latest National Inventory Document and large parts of them also apply to the projections.

Public participation

Stakeholder engagement

After Iceland's first submission of the PaMs and Projections reporting in 2019, the Environment Agency of Iceland (EAI) (now part of the Icelandic Environment and Energy Agency (IEEA)) organised expert review meetings for the sectors (Energy, IPPU, Agriculture, and Waste) to get feedback and constructive criticism from external experts in order to improve future reporting. Consequently, the EAI gained some valuable insights and contacts that have been maintained throughout the preparation stage of subsequent reports.

The energy experts from the IEEA are in regular contact with the geothermal power plants in Iceland to make the projections as accurate as possible. When preparing the energy forecast for Iceland, experts from the IEEA have been in consultation with various stakeholders, such as electricity distributors, suppliers and the national transmission operator, the Marine and Freshwater Research Institute, ISAVIA, the Icelandic Tourist Board, the Automotive Industry Association, the Energy- and Climate Fund and various project managers of new energy transition projects. These entities have provided valuable insight on key parameters used for the energy forecast in Iceland.

The IPPU experts from the IEEA are in regular contact with the main industry manufacturers in Iceland to make the projections as accurate as possible. There is also regular collaboration with the Ministry of the Environment, Energy, and Climate, which has updated the F-gas import quota regulation twice.

In 2022, a new Working Group on Climate Action in Agriculture and LULUCF was established by the Ministry of Food, Agriculture and Fisheries (the Ministry of Industries since January 1, 2025), with the goal of improving and strengthening climate mitigation PaMs in these sectors. The working group has representatives from the IEEA, Land and Forest Iceland, the Ministry of the Environment, Energy, and Climate, the Agricultural University of Iceland, the Farmer's Association of Iceland, and the Icelandic Agricultural Advisory Centre. This group meets a few times a year and has proven valuable for the agricultural inventory experts.

The IEEA has established a waste expert group within the Agency, with experts from different departments who work on various waste related issues, including operating permits, surveillance, data gathering, circular economy projects and GHG inventories. Input from members of the waste group was taken into account when deciding the assumptions for the waste projections.

Contact information for entities with overall responsibility for National Systems



The Icelandic Environment and Energy Agency (Umhverfis- og orkustofnun)
Borgir við Norðurslóð
600 Akureyri
Tel. +354 569 6000
www.uos.is