October 2020

Iceland's 2020 **Climate Action Plan**

Government of Iceland
Ministry for the Environment and Natural Resources

The Icelandic government presented a new *Climate Action Plan* in September 2018. The Plan was a watershed, as it was the first such long-term comprehensive plan that was fully funded, with substantial increase in government funding of key actions in climate mitigation.

An updated version of the *Climate Action Plan* was presented in June 2020, presenting new and elaborated actions and increased funding. The updated Plan also contained significantly improved analysis to estimate the individual and collective mitigation gains of the actions presented. All in all, the 2020 Plan contained 48 actions – 15 new from the 2018 version – aimed at reducing greenhouse gas emissions and increasing carbon uptake from the atmosphere. The updated plan reflects comments and suggestions received, and the conclusions of a consultation process with stakeholders and civil society. Emphasis has been placed on implementing measures immediately; 28 actions out of 48 had already been set in motion at the publication of the 2020 version.

The *Climate Action Plan* is Iceland's main instrument to reach its commitment in the Paris Agreement, specifically its emissions reduction goals for 2030. It is also the main instrument to reach Iceland's stated goal of carbon neutrality by 2040. Emphasis is put on a rapid clean energy transition in transport and increased efforts in the LULUCF sector, where Iceland has great mitigation potential in afforestation, revegetation and wetland reclamation. The Plan, however, addresses all major sources and sinks, and outlines climate mitigation actions in transport, fisheries, energy, industry, chemicals, agriculture, waste management and LULUCF. The Plan is organized by how the measures relate to Iceland's commitments, as well as by sources of emissions.

According to analysis, the actions in the updated version of the *Climate Action Plan* will lead to a decrease of emissions in 2030 by more than one million tonnes of CO_2 equivalents compared to 2005 in sectors that fall under the EU effort sharing regulation - ESR (transport, agriculture, fisheries, waste management etc.). This means that Iceland should meet its climate commitments for a 29% reduction in ESR emissions from 2005 levels, as analysis indicate that Iceland should be able to reduce emission in these sectors by 35% by implementing the actions in the Plan. In addition to this, actions currently in preparation are estimated to result in an additional cut in emissions of 5-11%, for a total decrease of 40-46%. The Icelandic government has signalled a willingness to achieve a reduction in emissions in ESR-sectors by 40%, or more than is currently demanded by Iceland's present international commitments.

A minimum of ISK 46 billion is expected to be spent on key climate action in the period 2020-2024.

With the 2020 *Climate Action Plan* Iceland expects to achieve a substantial reduction in greenhouse gas emissions — still greater reduction is aimed at through additional measures currently in preparation

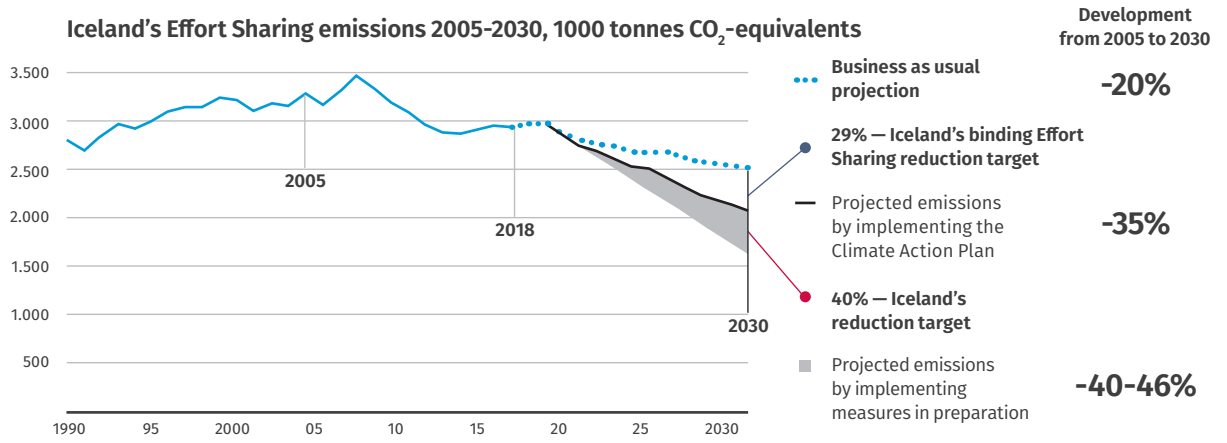
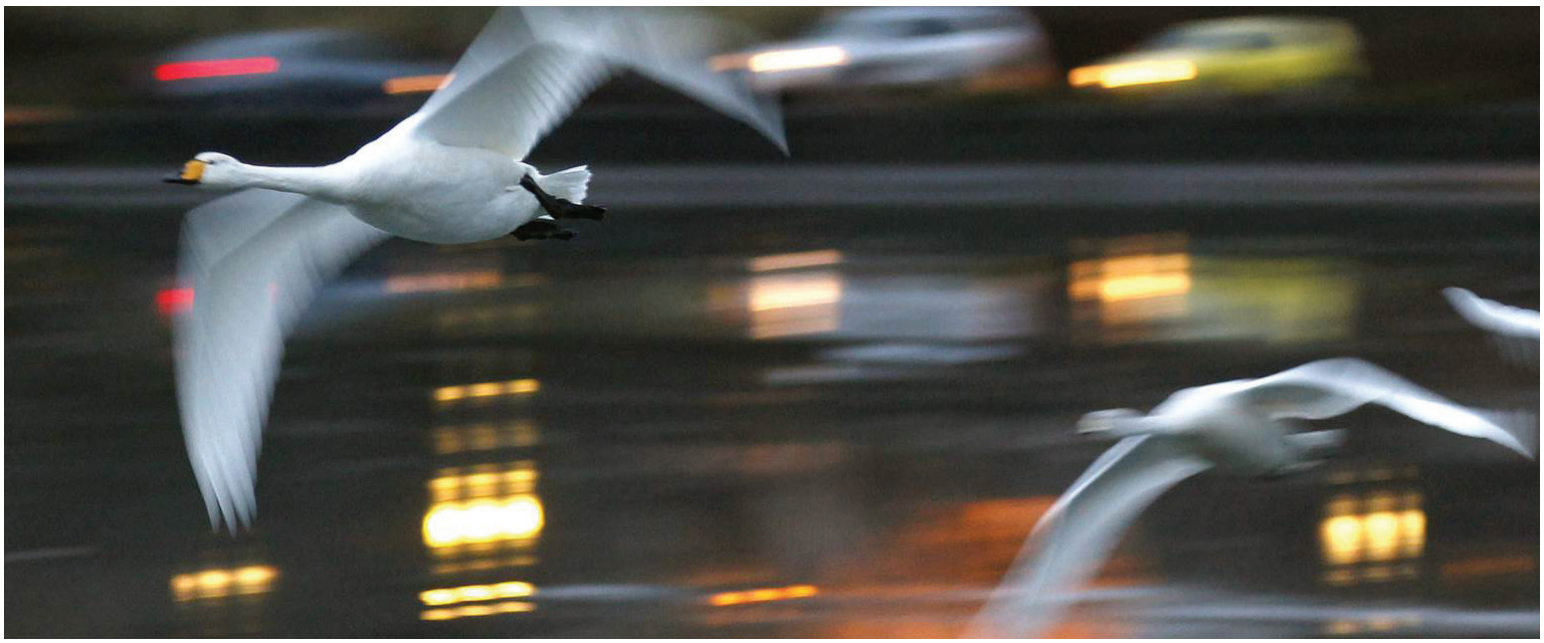


Figure 1. Iceland's historical greenhouse gas emissions that fall under the Effort Sharing Regulation to 2018, and projected emissions in 2030 without the Action Plan, with the Action Plan and plus measures currently in preparation.

Because climate change respects neither borders nor emissions accounting, it is important to address GHG emissions regardless of their sources and nature of commitments. The Action Plan takes this into consideration and aims to address all significant sources and sinks. *Figure 2* shows the expected success of the actions and how they relate to Iceland's commitments. For instance, under *Land use*, carbon sequestration and wetlands restoration will lead to greatly increased benefits, more than 500% compared to 2005 levels. These measures play an important role in achieving Iceland's goal of carbon neutrality by 2040.



Estimated reduction 2005-2030 in Iceland's emissions under the Effort Sharing Regulation — carbon sequestration will be greatly increased through better land use

Annual greenhouse gas emissions and carbon sequestration by category, 1000 tonnes of CO_2 equivalents

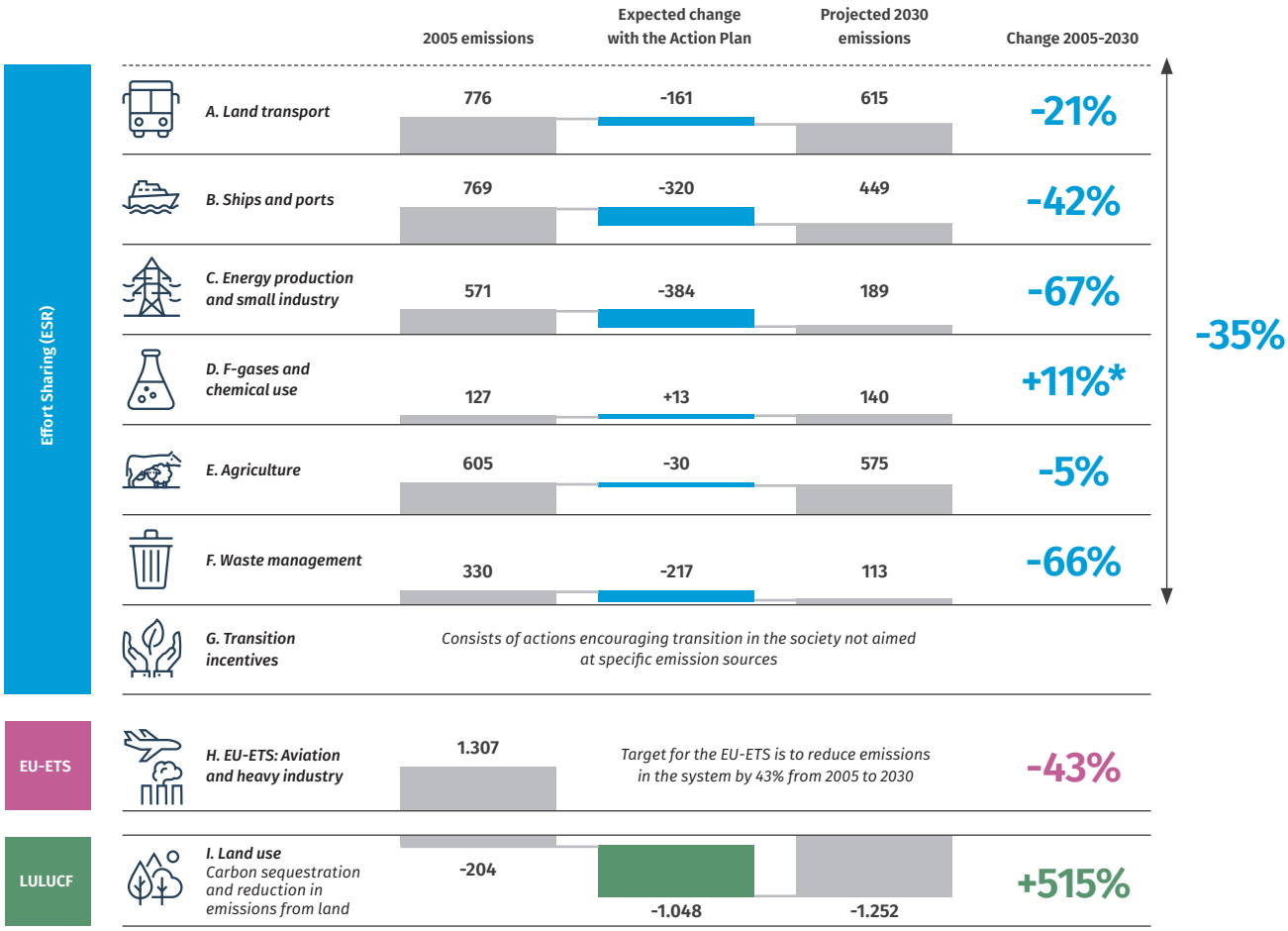


Figure 2. Breakdown of greenhouse gas emissions and sequestration by category in the Action Plan.

Emissions 2005: Greenhouse gas emissions in Iceland in 2005 – reference year for emission reduction according to commitments and targets.
Projected emissions 2030: Projected emissions in 2030, after taking into account measures in the Plan and the baseline scenario.

EU-ETS: EU - Emissions Trading System.
LULUCF: Land Use, Land-Use Change, and Forestry.
* Emissions from F-gases rose rapidly in a short period after they were introduced to replace ozone-depleting refrigerants. The Action Plan anticipates a 23% decrease in 2030 compared to 2018.

Should the actions listed in the *Climate Action Plan* not prove sufficient, new measures will be introduced or more resources put into actions that have not delivered as expected. In addition, many parties other than the government at national level have taken initiatives in combating climate change: municipalities, private sector companies and other actors. These initiatives are expected to result in a reduction in greenhouse gas emissions in Iceland's emissions accounting. Supporting such initiatives is important as government actions alone will not suffice to successfully counter climate change.

The Action Plan takes into account the United Nations' Sustainable Development Goals, which were universally adopted in September 2015, and require the participation and co-operation of numerous and diverse stakeholders.

As technology advances rapidly, new and more cost-effective ways to reduce emissions can be expected to emerge. The *Climate Action Plan* must therefore be in continuous development. Evaluation of actions will be continually improved, the development of greenhouse gas emissions and carbon sequestration closely monitored, and actions further revised.

The Plan will be assessed in terms of its impact on different income groups and analysed in terms of costs and benefits, including the macroeconomic impacts of actions. It is important to ensure that climate action supports efforts to increase equality and equal rights. Doing so will ensure a just transition.

The *Climate Action Plan* also states that should estimates indicate that future emissions will exceed the commitments undertaken, the Minister of the Environment and Natural Resources is responsible for taking appropriate measures in response. It is proposed that this responsibility will be defined with amendments to climate legislation.

The Climate Action Plan includes a total of 48 actions, divided into three parts

Actions aiming to reduce emissions that fall under the EU Effort Sharing Regulation (ESR)[1]

A. Land transport

- *A.1 Infrastructure for active mobility*
- *A.2 Incentives for active mobility*
- *A.3 Encouraging public transport*
- *A.4 Incentives for low- and zero emissions vehicles*
- *A.5 Infrastructure for low- and zero emissions vehicles*
- *A.6 Energy transition legislation and regulations*
- *A.7 Ban on new registration of diesel and gasoline vehicles after 2030*
- *A.8 Energy transition in heavy transport*
- *A.9 Low emission rental cars*
- *A.10 Low emission vehicles in government and state enterprises*

B. Ships and ports

- *B.1. Energy transition in fisheries*
- *B.2 Electrical infrastructure in ports*
- *B.3 Ban on use of heavy fuel oil*
- *B.4 Energy transition of ferries*
- *B.5 Energy transition of state-owned vessels*

C. Energy production and small industry

- *C.1 Carbon capture from geothermal energy plants*
- *C.2 Electrification of fishmeal production plants*
- *C.3 Climate impact of the construction industry*
- *C.4 Domestic renewable fuels*

D. F-gases and chemical use

- *D.1 Regulation on F-gases*
- *D.2 Taxation of F-gases*

E. Agriculture

- *E.1 Climate-friendly agriculture*
- *E.2 Carbon-neutral beef production*
- *E.3 Increased domestic vegetable production*
- *E.4 Improved use and handling of fertilisers*
- *E.5 Improved feeding of livestock to reduce enteric fermentation*

F. Waste management

- *F.1 Landfill tax*
- *F.2 Ban on the landfilling of organic waste*
- *F.3 Reduction in food waste*

G. Transition incentives

- *G.1 Carbon tax*
- *G.2 Climate fund*
- *G.3 Environmental data reporting*
- *G.4 Information on climate change for the public*
- *G.5 Climate education in schools*
- *G.6 Climate impact assessment of legislation*
- *G.7 Issuing of green bonds*
- *G.8 Sustainable public procurement*
- *G.9 Climate strategy of Government Offices*
- *G.10 Climate strategy of other public agencies*
- *G.11 Climate action planning*

Actions to reduce emissions in connection with EU-ETS[2]

H. EU-ETS: Aviation and heavy industry

- *H.1 Carbon capture from heavy industry*
- *H.2 Updated Regulation under the Emission Trading System*
- *H.3 Participation in international system for reducing aviation emissions*

Actions to reduce emissions and increase carbon sequestration through improved land use, land use change and forestry (LULUCF)[3]

I. LULUCF

- *I.1 Enhanced action in forestry*
- *I.2 Enhanced action in land reclamation*
- *I.3 Recovery of wetlands*
- *I.4 Wetlands conservation*
- *I.5 Improved mapping of grazing land and land use*

☐ 15 new ▪ 20 in preparation ▪ 28 implemented

1 ESR: Effort Sharing Regulation. Regulation on joint fulfilment. Effort Sharing emissions with binding annual greenhouse gas reduction targets for each state.

2 EU-ETS: EU - Emissions Trading System.

3 LULUCF: Land Use, Land-Use Change, and Forestry.

Figure 3. Summary of measures in the Plan, indicating whether they are new and whether they are being implemented or in preparation.

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