



**ROYAL NORWEGIAN MINISTRY  
OF LOCAL GOVERNMENT AND REGIONAL DEVELOPMENT**

*The Minister*

To the cities of Oslo, Stavanger and Trondheim

Your ref

Our ref

Date

22/1655-

June 2024

## **Horizon Europe Mission on Climate-Neutral and Smart cities**

Norway participates fully in the Horizon Europe programme and recognizes that participation in the programme is important to achieve global, European and national political ambitions. Mitigating climate change is of high importance on the political agenda both at the national and municipality level. Hence the Mission on Climate-Neutral and Smart cities (Cities Mission) is very important in this respect.

The Ministry of Local Government and Regional Development is coordinating the work of the Cities Mission in Norway. The Norwegian government is fully supporting the ambitions of the three Norwegian cities, Oslo, Stavanger and Trondheim, in their ambitions to reach climate neutrality.

The Government expects Norwegian municipalities to contribute to reducing greenhouse gas emissions and to adapting to a changing climate. Numerous policy documents and guidelines are stating this and are providing guidance on how it can be done. There are also several existing national policy tools and support mechanisms that can support the cities in their work.

Norwegian municipalities have a high degree of autonomy and have the authority for spatial planning, as well as societal planning in their respective municipality. The Norwegian planning system is based on a national framework that guides municipalities in their planning as to what topics that must be taken into consideration in the municipal planning. Climate change mitigation is one of them.

The attached document is elaborating how the Norwegian government strives to help the cities in reaching their aim of climate neutrality and thus supporting the Cities Mission.

Yours sincerely

A handwritten signature in blue ink, reading "Erling Sande". The signature is written in a cursive style with a large, sweeping initial "E" and "S".

Erling Sande

## **Relevant national measures supplementing EU-tools and mechanisms**

- 1. General**
- 2. Funding arrangements**
- 3. Financing**
- 4. Other measures**
- 5. Research & development**

### **1. General**

Participation in the EU Missions is anchored at the highest level of the Norwegian Government because they are cross-disciplinary and relevant for the policy areas of several ministries. For the Mission on Climate-neutral and Smart Cities, the Ministry of Local Government and Regional Development is coordinating the work and is cooperating particularly closely with the Ministry of Digitalisation and Public Governance and the Ministry of Climate and Environment in the follow-up of the mission. Other relevant ministries are the ones responsible for industry, agriculture, energy, transport, health and education and research.

In addition, the close cooperation with Research Norway and Innovation Norway is of utmost importance. They have an important role in mobilizing different actors in the private sector and in the research communities. Other agencies and directorates are also involved.

The Ministry of Local Government and Regional Development is fully aware of the need for multilevel governance and coordination in the follow-up of this Mission, and the Ministry will take an initiative to exploring ways of achieving this. The work will be seen in relation to other national strategies and initiatives, and in relation to potential changes in laws and regulations.

The Ministry of Local Government and Regional Development is furthermore looking closely into how we can help to deploy the knowledge and outcomes from the work being done in the cities that are directly involved in the mission. To support the cities' transition and to build capacity in multilevel governance, working mission based, in innovation and on implementation we have involved the organisation Design and Architecture Norway (DOGA). DOGA is one of the Government's agencies for innovation and value creation.

DOGA has considerable experience in creating meeting places between creative talents, business actors and the public sector and to find new solutions. We would like to use DOGA in developing a national hub for existing networks and actors with the intent to deploy knowledge and experiences.

The main policy tools for reducing emissions in Norway are national measures like CO<sub>2</sub>-taxes and the emissions trading system, but there are also several existing policy tools and

support mechanisms in the Norwegian political system that can support the cities in their work. This paper elaborates on this.

## **1. Funding arrangements**

### **a. Urban Growth agreements**

Norway has agreements between the state, counties and municipalities to enhance the integration of land use and transport policy in order to achieve a national goal of zero growth in personal car transport. They include considerable state financing of transport projects in order to promote public transport, biking and pedestrians. The Zero Growth target in personal car use and introduction of zero emission cars combined, will contribute to significant GHG-reduction. Today, five Norwegian city regions have Urban Growth Agreements: Oslo area, Bergen area, Trondheim area, Stavanger area and the city of Tromsø. Proposals for new agreements have recently been concluded in two new urban areas: The Kristiansand area and Fredrikstad/Sarpsborg. According to our National Transport Plan 2025-2036 further two city regions can be included. In addition, the Norwegian National Transport Plan 2022-2033 introduced a new funding scheme for environmental urban transport covering the city regions of Bodø, Ålesund, Haugalandet, Grimstad/Arendal and Vestfold. State funding to urban areas has increased significantly over time and is nearly 7,5 billion NOK (0,7 billion EUR) in 2024. According to the new National transport plan 2025-2036 the government will allocate 88 billion NOK to urban areas over the next 12 years. This amounts to approximately 7,3 billion NOK per year.

### **b. Other funding arrangements**

***The cities can apply, but the scope of the arrangement is not necessarily climate neutrality, and their application will be in competition with other applicants:***

**"Klimasats"** is a support scheme administered by the Norwegian Environment Agency for municipalities and county municipalities that will reduce greenhouse gas emissions and contribute to the transition to a low-emission society. Funding contributes to everything from making ambitious climate requirements in public procurement and additional costs for using emission-free technology, to comprehensive transport and land-use planning that provides more efficient and sustainable communities. Since its inception Klimasats has provided funding for more than 2000 projects all across Norway, and about 144,8 million Euros have been allocated in total to the scheme in the national budget.

**Enova SF**, which is owned by the Ministry of Climate and Environment, contributes towards Norway's emission reduction commitments and contributes to the transition to a low-emission society. Enova supports climate and energy solutions across the economy mainly through the granting of investment aid with an aim to reducing barriers and stimulating lasting market development. Enova manages the Climate and energy Fund based on 4-year agreements with the ministry of climate and Environment. Approximately 730 million euros are added to the fund annually. The rolling four-year agreements between Enova and the Ministry give Enova a wide degree of freedom and flexibility to respond quickly to new opportunities and to support those

projects that offer the greatest opportunities to influence developments. Among Enova's current support programs, the most relevant for cities are the support for construction machinery and mobile charging stations, support for heavy zero-emission vehicles, as well as several programs for energy use in buildings.

**The Green Platform** Initiative provides funding for enterprises and research institutes engaged in green growth and restructuring driven by research and innovation. Cities may be project partners. The objective is to trigger opportunities for green value creation through major projects. These should comprise the whole value chain from research and knowledge production to testing, commercialisation and industrialisation of sustainable, green products and services. The Research Council of Norway, Innovation Norway and Siva manage the funds through different types of applications and policy instruments to ensure that users find the process easy.

The **Environmental Technology Scheme** (Innovation Norway) provides funding for innovation projects. The purpose of an innovation project is to develop or significantly improve a new product, process or service. At the core of the project are research and development activities. The grants for innovation projects are intended to strengthen the enterprise's competitiveness and trigger the potential for sustainable growth. This scheme might also be relevant for an enterprise's co-operation.

## 2. Financing

**Kommunalbanken Norway (KBN)** is a local government funding agency 100 per cent owned by the Ministry of Local Government and Regional Development. Today, KBN is defined as a state instrumentality serving a public policy function of providing low cost funding to Norwegian municipalities. Among the banks tasks is to offer green loans with lower interest rates for projects that help reduce greenhouse gas emissions, improve energy efficiency or represent an adaptation to climate change, within seven categories: (i) buildings, (ii) renewable energy, (iii) transportation, (iv) waste and circular economy, (v) water and wastewater, (vi) land use and area projects and (vii) climate change adaptation. By choosing green loans from KBN to finance sustainable investments, customers will have access to the green bond market while the bank does the framework, administration and reporting work. Per Q1 in 2024 KBN's total lending portfolio was 357 billion NOK (31 billion Euro). The green lending portfolio was 54,2 billion NOK (4,8 billion Euro).

**Innovation Norway** provides loans and guarantees to companies throughout the country that have growth potential. **Innovation loans** are offered primarily to small and medium-sized businesses throughout the country and in all industries and sectors, but the offer also applies to large companies. Innovation loans are not limited to specific purposes. Innovation loans can be used for the top-up financing of corporate and socio-economically profitable development and investment projects, where the company does not have, or can only partially provide, satisfactory security. Innovation Norway's involvement must be decisive for the implementation of the project. A specific allocation for **Green Growth Loans** has been added. Innovation Loans may contribute to financing projects run by businesses within the

framework of a Climate-Neutral and Smart city-project provided the normal applications that apply to the scheme is met.

### 3. Other measures

The Ministry of Local Government and Regional Development is developing different kind of **tools to help municipalities and regions in climate work, such as:** (i) The Area Data Tool (ADV) to calculate how changes in land use and transport systems affect the transport system, (ii) Tool by the Norwegian Institute of Bioeconomy research to calculate GHG – emission from land use changes. (iii) Work is ongoing to develop tools related to area statistics for use in land-use planning.

On behalf of the Government, the Norwegian Agency for Public and Financial Management (DFØ) has developed an **action plan for increased share of climate- and environmentally friendly procurements and green innovation**, which among others contains a "green competence boost."

**The National Programme for Supplier Development (LUP)** is set up to accelerate innovations and development of new solutions through the strategic use of public procurement, while at the same time contributing to new market opportunities for these innovations. LUP is a driving force for increased use of innovative procurement and a facilitator of practical assistance that increases the innovation effect of public procurement in Norway. The programme may assist a Climate Neutral and Smart-City project.

The Ministry of Climate and Environment and The Ministry of Trade and Fisheries have published a **Nation Action Plan for circular economy** which sets out national ambitions and priorities with an aim to increase resource efficiency and circular economy initiatives. In addition, The Norwegian Association of Local and Regional Authorities has developed a guide for the county municipalities and municipalities' work with circular economy.

**Norwegian Innovation Clusters program – Nordic Edge.** One cluster within the program is specifically dedicated to foster smart city-development. Nordic Edge is a non-profit organisation working in close cooperation with private companies, municipalities and city administrations to promote solutions for smarter cities and communities. See <https://nordicedge.org/>

#### **Updating the roadmap for smart and sustainable cities and communities in Norway.**

The roadmap is a guide for local and regional authorities developed in 2019 by Design and Architecture Norway (DOGA), the Norwegian Smart City Network and Nordic Edge; [smartby-veikart-19x23cm-eng-v1\\_delt.pdf \(doga.no\)](https://smartby-veikart-19x23cm-eng-v1_delt.pdf(doga.no)). This guide will throughout 2024 and 2025 be updated to include insights and principles from the Cities Mission and New European Bauhaus principles.

#### 4. Research and Development

The Research Council of Norway (RCN) invests around 10 billion NOK (0,9 billion Euros) in research and innovation annually on behalf of the Norwegian government. RCN aims to promote a society where research is created, used and shared, and thus contributes to restructuring and enhanced sustainability.

RCN funds several R&I initiatives that address the Cities Mission challenges, for example:

- Joint calls across thematic portfolios financing climate and environmental research and climate mitigation and adaptation including circular economy. The calls are cross-sectoral and target both public and private sector. They will contribute to reduce CO2 emissions and help the cities meet their climate commitments.
- Active participation through joint calls in the European partnership Driving Urban Transition (DUT).
- The Centres for Environment-friendly Energy Research (FME) carry out long-term research targeted towards renewable energy, energy efficiency, CCS and social science aspects of energy research. Research activities are carried out in close collaboration between research groups, trade and industry, and the public administration, and key tasks include international cooperation and researcher training. The centres are established for a period of maximum eight years (5 + 3).
- The Green Platform Initiative (as mentioned above).

#### Norway as an associated country to EU

Norway is an associated country to 11 EU programs in total. We participate in these programs on an equal footing with EU member states, based on the EEA Agreement. Amongst them we participate in the Horizon Europe, the Digital Europe, The COSME and the ERASMUS+ programs, and we believe that it is important to explore synergies between these different funding instruments, where for example different phases of an initiative could be funded by different sources depending on what activities are planned.

Norway participates in **InvestEU**. Innovation Norway is the national contact point.

The Research Council and Innovation Norway, in collaboration with agencies responsible for other programs in which Norway participates, have the ambition to ensure that relevant actors receive information and guidance on how they can take advantage of the synergies between different programs, for example links between Horizon Europe and other EU programs.

As an associated country we are not eligible to receive funding from The Recovery and Resilience Facility (RRF), The Cohesion Policy Funds or the LIFE program. It is our understanding that the overall set of national programs described above could be able to compensate for this.

In addition, under the condition of the EEA agreement, Norway provides funding for research and innovation that could perhaps be used to fund project activities. The EEA and Norway

Grants help to reduce social and economic differences in Europe and strengthen links and cooperation between Norway and 15 European countries. A considerable part of the funding goes to research and innovation activities. The funding aims to generate high quality research and innovation collaborations between research and innovation clusters in Norway and the recipient countries. In Norway, the Research Council and Innovation Norway are responsible for contributing to developing the programs and providing advice to Norwegian actors. The Government expects Norwegian actors to use the EEA and Norway Grants as an opportunity to build networks, expertise and capacity, with a view to collaboration in Horizon Europe. The Government will work to ensure that the EEA and Norway Grants for research and innovation are organized in a manner that supports Horizon Europe, are attractive to Norwegian partners and enable applicants to take advantage of the links to Horizon Europe.