

# **The Office of the Auditor General's investigation into target achievement in climate policy**

## **Summary**

### **Background and goals of the investigation**

The Kyoto Protocol commits Norway to limiting its greenhouse gas emissions during the period 2008-2012 to one per cent more than the 1990 level. The country has also set a target of strengthening the Kyoto Protocol commitments by 10 percentage points, as well as an emission target for 2020. Norwegian greenhouse gas emissions increased by 8.4 per cent from 1990 to 2008. The climate policy targets can be reached by means of emissions trading, Joint Implementation and the Clean Development Mechanism (CDM).

The goal of the investigation was to assess goal achievement in relation to Norway's international climate commitments and the authorities' work on implementing the climate policy decisions of the Storting.

### **Method**

The investigation is based on document analysis, statistics, results from performance audits in other countries and a report on CDM. Interviews have also been carried out with ministries, subordinate agencies and business and industry.

### **Results**

The investigation shows that national policy instruments have helped to curb emissions growth, but have not reversed the trend of growing emissions. Emissions are expected to continue to increase given the policy instruments adopted at present. In the Office of the Auditor General's opinion, it will therefore be necessary to intensify the efforts in order to achieve the Norwegian emission reduction target for 2020.

The investigation shows that the carbon tax has contributed significantly to curbing the increase in emissions from the petroleum sector, but, all in all, this instrument has not contributed much to reducing emissions in other sectors. Regulation via the emissions trading scheme has replaced the carbon tax in several sectors.

In the Office of the Auditor General's opinion, the cross-sectoral policy instruments, in their current form and given the present allowance prices, will not be sufficient to reach the national emission target for 2020.

The investigation found major weaknesses in the way in which the various ministries fulfil their sector responsibilities. The sector ministries have only to a small extent or not at all operationalised climate goals through working targets and specification of the use of policy instruments, or

issued management signals about climate targets to subordinate agencies. The investigation shows that many targets that could help to reduce greenhouse gas emissions will not be achieved. In the Office of the Auditor General's opinion, this makes it more difficult to achieve the national climate targets.

The Office of the Auditor General emphasises that the reduction of greenhouse gas emissions in the sectors must be given higher priority.

The investigation shows that the Ministry of the Environment is facing considerable challenges in its role as a driving force in relation to other ministries. The investigation points out that this work has only been documented to a very limited extent. In the Office of the Auditor General's opinion, the complexity in terms of the players involved and the use of policy instruments indicate that it is important for the Ministry of the Environment to be active and clear in its role as a driving force.

Use of the flexible mechanisms makes it cheaper to achieve the climate policy targets. The investigation shows that, even if the greenhouse gas emissions significantly exceed the Kyoto Protocol target, enterprises' purchases through the emissions trading scheme will probably ensure that the commitment is met. A purchase programme has been established under the Ministry of Finance to help to achieve the target of strengthening the Kyoto Protocol commitments. The contracts signed so far for allowance purchases will not be enough to strengthen the commitment. However, the target can be achieved by purchasing more expensive allowances. The investigation shows that the actual emission reductions resulting from projects carried out via CDM are uncertain.

The investigation also covers the Norwegian Climate and Forest Initiative that started in 2007. Audit reports on forest management from the Brazilian and Indonesian supreme audit institutions show that there are challenges relating to national ownership of the work of reducing deforestation in both countries.