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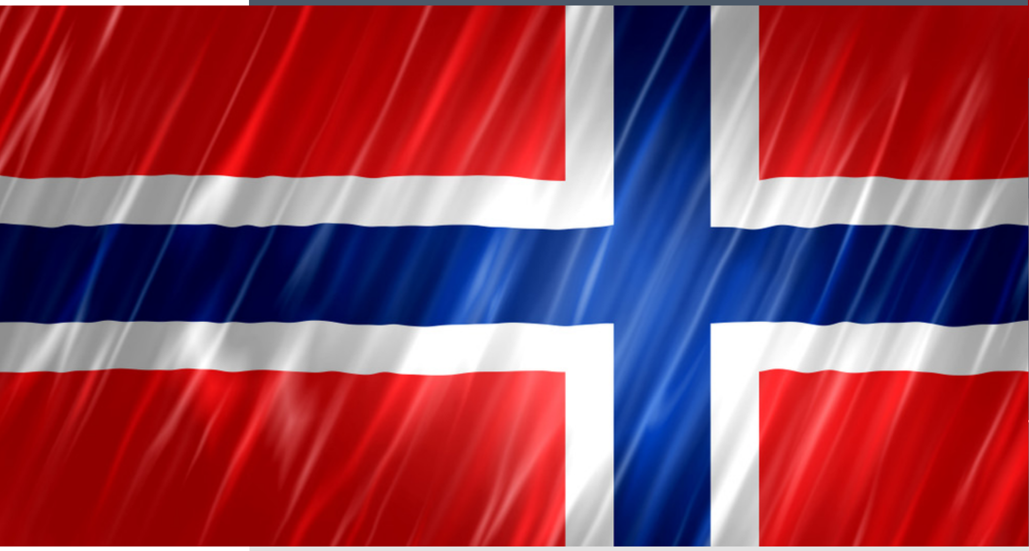

MARCH 31, 2026

Norway's Energy Policy Dilemmas and Debates

In or Out?

Tobias B. SILSETH

Key Takeaways

- The Russia-Ukraine war has turned Norway into Europe's largest supplier of natural gas and increased the asymmetry between the country's offshore hydrocarbon economy and the largely renewables-based mainland economy.

- Record-high oil and gas revenues have raised discussions of the country's status as a 'war profiteer' and the sovereign wealth fund's investments predominantly in the United States.

- Some political parties have raised the possibility of Norway joining the EU as a full member. Rising pro-European sentiment is challenged by the agrarian Centre party aiming to end Norway's participation in the EU electricity market and the European Economic Area.

- As fossil fuel production is set to decline due to depletion, the country finds itself split between those seeking to continue investing in exploration and extraction and those calling for a controlled phase out of oil and gas.

Introduction

2026 may prove to be the end of the Norwegian exception. Norway has long prided itself on the successful combination of fossil fuel extraction with a strong social democracy. Until recently, Norway could enjoy many of the advantages of European Union (EU) membership without giving up autonomy. It had neutralised the rise of the far right and maintained political stability. Despite these successes, Norway now finds itself in an increasingly vulnerable position. Its new role as Europe's main supplier of natural gas may provide some leverage, but it does not shield it from EU countermeasures in response to aggressive American trade policies. The populist movement has made a comeback with the Progress Party (Frp) taking second place in the September 2025 parliamentary election. Increasing polarization threatens the long-standing bipartisan consensus on issues such as the use of oil and gas revenues to sustain welfare provisions and membership in the European Economic Area (EEA).

The elections in early September 2025 revealed a split electorate. The Labour Party won 28% of the vote and decided to continue on as a minority government under Prime Minister Jonas Gahr Støre. At the start of 2025, Labour was struggling with low favourability ratings and disagreements with its coalition partner, the Centre Party. In hindsight, the Centre Party's exit from the coalition in January of last year allowed Labour to clarify its own position. The return of the popular ex-Prime Minister and recent Secretary General of the North Atlantic Treaty Organisation (NATO), Jens Stoltenberg (Labour), to the role of Finance Minister provided additional momentum. Labour must nevertheless rely on the smaller parties in parliament, including Socialist Left (5.6%), the socialist party Rødt (5.3%), and the Greens (4.7%). It will face strong opposition from the Progress Party, which received nearly 24% of the vote.[1]

Norwegian fossil fuel production and the Russia-Ukraine war

Norway's renewed importance for European energy security

Russia's full-scale invasion of Ukraine made Norway Europe's largest supplier of natural gas and exacerbated the asymmetry between its offshore and onshore economy. In 2025, EU countries imported 87.9 billion cubic meters (bcm) of Norwegian gas by pipeline, representing ca. 30% of EU's imports, up from 24% in 2021.[2] Norway has also become more important in supplying Europe with oil, now delivering around 14-15% of Europe's

1. Results available at: www.nrk.no.
2. "Norway Strengthens Its Role as Europe's Energy Partner, Record-High Gas Exports in 2025", Gassco, January 8, 2026, available at: https://kommunikasjon.ntb.no.

imports. Oil output is at 1.8 million barrels per day (mbpd), far from the 2001 peak at 3.4 mbpd.[3] Gas production reached a new peak in 2024 with 124.2 bcm. Output was somewhat lower in 2025, at 119.8 bcm, but is expected at 123.1 bcm in 2026.[4]

The offshore economy is almost entirely geared towards exports. 95% of Norwegian natural gas is exported to continental Europe and the United Kingdom (UK) by pipeline, while the remaining 5% is liquefied, mainly at Equinor's Melkøya terminal. In 2025, oil and gas products made up 56.9% of total exports.[5] Norway also boasts an unusually large share of electricity in final energy consumption, standing at 47% as compared to other European countries, which tend to fall at 20-25%.[6] The electrical grid is essentially renewables-based, with 90% of generation coming from hydropower and 9% from wind.[7] Electric vehicles now make up almost one-third of privately owned cars, and there are plans to further decarbonise the transport sector.

Between 2022 and 2024, Norway's record-high oil and gas revenues made up for mediocre growth on the mainland. Revenues from fossil fuel production are paid into the Government Pension Fund. More than half of the fund's $2 trillion value is invested in United States (US) assets. The amount withdrawn from the fund each year is limited to 3% by the "fiscal rule". But the fund's growing value—it has increased by around 70% since 2022—means that its contribution to the yearly budget is also increasing.[8] It is set to contribute an estimated $58 bn to the 2026 budget.[9] There is a long-standing debate over whether money from the fund should continue to provide high social spending or be used to cut taxes and improve competitiveness.

More than half of the fund's $2 trillion value is invested in US assets

Excess profits from the Russia-Ukraine war

To some critics, Norway has not played a large enough role in supporting Ukraine, given its excess revenues from increasing oil and gas sales. In December 2024, two Norwegian economists accused the government of being a "war profiteer".[10] The Norwegian state owns 67% of the oil and gas company Equinor, which has seen record-high earnings in recent years. The company's net income increased from $8.6 bn in 2021 to $28.7 bn in 2022. Total state revenues from oil and gas increased from $25 bn to $125 bn in the same

3. Data available at: www.norskpetroleum.no.
4. "Norway's Oil and Gas Output Will Fall towards 2023, Regulators Say", Reuters, January 8, 2026, available at: www.reuters.com.
5. "Fakta om olje og energi" [Facts about oil and energy], Statistics Norway, January 2026, available at: www.ssb.no.
6. "Share of Electricity in Total Final Energy Consumption", Enerdata, available at: https://yearbook.enerdata.net.
7. "Norway", International Energy Agency, available at: www.iea.org.
8. "The Fund's Value", Norges Bank Investment Management, January 2026, available at: www.nbim.no.
9. "Nøkkeltallene fra statsbudsjettet" [Key figures from the State budget], *Finansavisen*, October 15, 2025, available at: www.finansavisen.no.
10. H. Halland and K. A. Mork, "Norway Is a Ukraine War Profiteer", Project Syndicate, December 20, 2024, available at: www.project-syndicate.org.

period. Equinor's income was also high in 2023, at $11.9 bn, but by 2024 it had fallen back to 2021 levels.[11]

Economists have provided various estimates of the Norwegian state's excess profits from the war. The government's own numbers suggest that the state earned an additional $111 bn as a result of the 2022-23 price spike in oil and gas. Nordea Bank's investment director Robert Næss has recently suggested that total windfall profits since Russia launched its full-scale invasion amount to $300 bn.[12]

Norway's total economic and military support to Ukraine pales in comparison with these excess profits. In March 2025, Knut N. Kjær—the sovereign wealth fund's manager from 1997 to 2008—and 46 other economists signed an open letter calling for sidestepping the fiscal rule to increase Ukraine aid.[13] At the height of the debate over using frozen Russian assets as collateral for a loan to Ukraine in November-December 2025, influential academics like the political scientist Iver B. Neumann called for Norway to use the sovereign wealth fund's assets to back the loan.[14] Despite broad parliamentary support for the proposal, it was nevertheless quickly rejected by the Labour government.

> Norway has increased its contribution as a percentage of GDP

Possibly in response to such criticism, Norway has increased its contribution as a percentage of gross domestic product (GDP) and now spends $1,405 per capita on Ukraine aid, which compares to $1,944 for Denmark and $845 for Sweden.[15] In late 2025, the Norwegian parliament allocated $8.45 bn to Ukraine.[16] The government defends the level of aid by arguing that Norway is a reliable partner to its European allies and that it has welcomed Ukrainian refugees.

With oil and gas prices surging due to the US-Israel war with Iran, Norway is once more set to profit from the crisis. As the public broadcaster NRK's economics commentator recently put it, "when the world burns, the money rolls in".[17] The tension between Norway's self-image as a peace-loving country and the excess profits it gains in times of armed conflict has rarely been felt so acutely.

11. See annual reports available at: www.equinor.com.
12. "Norge har tjent 3000 milliarder kroner på Ukraina-krigen, ifølge beregninger" [Norway has earned 3,000 billion kroner from the Ukraine war, according to calculations], *Aftenposten*, January 17, 2026, available at: www.aftenposten.no.
13. K. N. Kjær et al., " 'Handlingsregelen må ikke stå i veien for en kraftig økning av Norges støtte til Ukraina' " [The action rule must not stand in the way of a sharp increase in Norway's support for Ukraine], *Aftenposten*, March 2, 2025, available at: www.aftenposten.no.
14. "EU-ekspert om at Norge stiller som garantist for Ukraina-lån" [EU expert on Norway acting as guarantor for Ukraine loan: a brilliant idea], *Forskning.no*, November 11, 2025, available at: www.forskning.no.
15. "NATO Defence Spending Tracker", Atlantic Council, January 2026, available at: www.atlanticcouncil.org.
16. "Norway Gives $400 Million to Ukraine for Energy Sector", Reuters, January 12, 2026, available at: www.reuters.com.
17. "Når verden brenner, tikker pengene inn" [When the world burns, the money comes in], NRK, March 2, 2026, available at: www.nrk.no.

Politicisation of the sovereign wealth fund

The same tension exists in debates over the oil fund's investments. Last August the fund's management agreed to a targeted divestment from companies with ties to Israel due to ethics concerns. Following the election, Socialist Left threatened to make its support for the government conditional on divestment from a longer list of companies. Such pressure had at that point caused friction between Norway and its allies.

In November, the Labour government, with help from the right, won a vote in parliament to pause ethical divestment for the foreseeable future. Jens Stoltenberg justified the pause by arguing that stricter ethics guidelines risk excluding tech giants from the fund's portfolio.[18] Labour acted despite opposition from the smaller parties on the left, the Norwegian Confederation of Trade Unions, and its own youth party. During the budget debates in late November and early December, Labour managed to have Socialist Left, Red, and the Greens agree on a new budget. Hence, for the moment, further politicisation of the fund is off the table.

There is also a more limited debate over the fund's strategy in a time of increasing geopolitical tensions. About 38.4% of the fund's investments are in US equities, while 13.2% are in US bonds. Some economists, including former fund manager Knut N. Kjær and Steinar Juel, have suggested that the fund reduce US exposure due to increased uncertainty under President Trump.[19] In the past decade, the share of European assets in the fund's portfolio has fallen from 26% to 15%, in part due to concern about declining European competitiveness. In June of last year, the fund called on EU leadership to reform European capital markets by harmonising tax regimes and streamlining debt issuance.

The Ministry of Finance could instruct the fund to increase European investment as a political expedient

In theory, the Ministry of Finance could instruct the fund to increase European investment as a political expedient. For now, however, both the fund's management and political leadership appear unwilling to do so. Nicolai Tangen, the current fund manager, has dismissed concerns about political threats to US investments.[20] In this, the fund's management differs somewhat from private investors, who have tended to reduce US holdings in favour of European ones.

18. "Stoltenberg om Oljefondet" [Stoltenberg on the petroleum fund: not a political instrument], E24, October 23, 2025, available at: https://e24.no.

19. "Bekymret for USA-plasseringer i Oljefondet" [Concerned about US investments in the oil fund: can be used as a threat against Norway], Dagens Næringsliv, March 11, 2025, available at: www.dn.no.

20. "Tangen om USA-spenningene : – Et skille mellom USA og verden" [Tangen on US tensions: "A divide between the US and the rest of the world", NRK, January 20, 2026, available at: www.nrk.no.

Geopolitical tensions and the relationship with the EU

NATO, Greenland, and the threat from Russia

The relationship with NATO allies is a sensitive issue owing to Russian, Chinese, and American interest in the resources of the Arctic. Trump's ambitions to acquire Greenland became a major issue in the national press after the President's State of the Union address in March 2025. Trump returned to his obsession with Greenland last November, tying it to the Norwegian Nobel committee's refusal to award him the Nobel Peace Prize.[21]

Some commentators worry that the American push to acquire Greenland gives Russia a blank cheque to take a more aggressive stance in the Arctic, especially against Svalbard. The archipelago is part of Norway's sovereign territory, but signatories of the Svalbard Treaty of 1920 have equal rights to its natural resources. This includes Russia, the only other country to have maintained a presence in the area. Norway is not allowed to move military assets to the archipelago. Securing and provisioning Svalbard, located 900 km from the mainland, is a challenge. The costs associated with it are, however, justified by its importance for Norway's claims to sections of the Norwegian continental shelf, which may prove consequential for future hydrocarbon and deep-sea mining projects.

Opinion polling shows that while security issues were high on voters' lists of concerns in March, as the election approached, they increasingly turned to economic issues.[22] Even Trump's aggressive positioning against Denmark has not had a lasting impact on Norwegian debates, although this appears to be changing. Oslo has increased defence spending to 3.5% of GDP and vowed to boost defence production capacity.[23] For now, the government has not put particular emphasis on increasing weapons procurement from Europe. Norway is a large contributor to the Prioritised Ukraine Requirements List (PURL), which provides Ukraine with defence equipment purchased from the US.

Openness to European integration

Geopolitical uncertainty has instead made itself felt in talk of EU membership. Votes on membership were held in 1972 and 1994. A new referendum has not been on the agenda for some time, but parties like the Liberal Party (Venstre), the Greens, and the Conservatives have recently taken up the issue. Labour supports EEA membership but is

21. "Trump Ties Greenland Demands to Nobel Prize in Message to Norway Leader", BBC, January 19, 2026, available at: www.bbc.com.
22. "En ny sak seiler opp som viktigst hos velgerne" [A new issue emerges as most important to voters], *Aftenposten*, August 21, 2025, available at: www.aftenposten.no.
23. "Norway to Meet 5% NATO Goal on Defence, Security Spending, Prime Minister Says", Reuters, June 20, 2025, available at: www.reuters.com.

split on joining the EU. The Agrarian Centre Party is highly critical even of the EEA, which it sees as a challenge to Norway's food security and energy sovereignty. It is joined in its rejection of the EU by Socialist Left, Red, and the Progress Party.

Support for EU membership appeared to be fading

In economic terms, the EU is by far Norway's largest export market. In 2025, 66.2% of Norwegian exports went to EU countries, while 55% of the country's imports came from the bloc.[24] Last November, the EU announced tariffs on ferroalloys, an important Norwegian export. EU ferroalloy production has fallen in recent years, in part due to the high cost of electricity, leading to a situation where Norway provides 43% of the bloc's needs.[25] Hypothetically, such measures could bring home to Norwegians the economic benefits of full EU membership. Recent polling indicates that they are more likely to see it as an affront. Despite the work of the pro-EU parties, support for EU membership appeared to be fading following the imposition of tariffs.[26]

European energy exchange

An additional factor in the relationship is Norwegian participation in the European electricity market. Opponents of power exports argue that interconnection leads to higher prices in Norway, especially in the south, where hydropower is less abundant than in the north. Proponents of interconnection counter that electricity exchange increases state revenues and helps balance out seasonal price differences. As the region with the most interconnectors, the south is more exposed to European price volatility. This has led to price shocks in southern Norway, most dramatically during the gas price spike in the autumn of 2022, which fuelled anger from consumers accustomed to cheap hydroelectricity.

In January 2025, the Centre party left the government over the implementation of the EU's "Clean energy for all Europeans" package. Socialist Left and Red also oppose participation in the European energy market. Concretely, the Centre party seeks to end the renewal of existing interconnectors and the establishment of new ones. No new interconnectors are planned for the foreseeable future. In 2023, the government rejected the NorthConnect project, which sought to build an interconnector between Norway and Scotland. Statnett, the state-owned network operator, is planning the renewal of two interconnectors to Denmark, despite lacking approval from the Labour government.[27] The Energy Minister will not, however, instruct Statnett to stop the planning.

24. "Utenrikshandel med varer" [Foreign trade in goods], Statistics Norway, February 2026, available at: www.ssb.no.
25. "Norway Blasts Brussels after EU Rejects Metal-Trade Exemption", Euractiv, November 18, 2025, available at: www.euractiv.com.
26. "Tolldramaet gjør rekordmange nordmenn usikre" [The customs drama is leaving a record number of Norwegians feeling uncertain], Nationen, November 27, 2025, available at: www.nationen.no.
27."Skagerrak 1 og 2" [Skagerrak 1 and 2], Statnett, April 2025, available at: www.statnett.no.

Increasing demand could turn Norway into a net energy importer by the 2030s.[28] Artificial Intelligence (AI) data centres present a concrete case of rising demand. As in Sweden, cheap, low-carbon energy and a cool climate increase the potential for data centre buildout. A recent joint venture between Aker and Nscale is investing $1 bn in a 230 megawatt (MW) data centre in Narvik. The venture involves an offtake agreement with OpenAI and recently secured a $6.2 bn deal with Microsoft that gives the American giant access to the data centre to develop its AI models. Unless there is substantial investment in wind power and updates to the grid, rising demand is likely to put Norway's role as a power exporter in doubt.

Transitioning to a post-oil economy?

Its support for the oil and gas industry notwithstanding, the Labour government is sticking to the "Green Industrial Initiative" roadmap it first laid out in 2023. One of the plan's main ambitions is to allocate areas for offshore wind power development that could provide 30 gigawatt (GW) by 2040. The first project, Sørlige Nordsjø II, with an expected capacity of 1.5 GW, was awarded to Ventyr in 2024. Recently, the Utsira project was awarded to two consortia, one set up by EDF and Deep Wind Offshore and the other by Equinor and Vårgrønn.[29] Utsira encompasses three project areas, each of which may host up to 500 MW of offshore wind capacity. The Norwegian Water Resources and Energy Directorate has also provided an impact assessment for 18 additional areas suitable for offshore wind power.

Although parties like Red and the Greens advocate phasing out oil and gas, there is also concern for the environmental costs of renewable energy buildout. Proponents of phasing out fossil fuels tend to have a negative assessment of wind power. The Greens oppose onshore wind power that is likely to entail negative consequences for the environment or indigenous interests, while the Red calls for an end to all wind power development.

The government is also trying to establish Norway as a leader in emissions-reduction technologies, such as carbon capture and storage (CCS) and hydrogen. In August 2025, the first injections of CO_2 were made as part of the Northern Lights CCS project led by Equinor, Shell, and TotalEnergies. Phase 2 of the project aims to expand capacity to at least 5 million tons of CO_2 per year, starting in 2028. Northern Lights is part of Longship, Norway's push to provide a complete CCS value chain. The project has received more than $2 bn in subsidies from the Norwegian government and involves some EU funding through the Connecting Europe Facility.[30] It includes Heidelberg Materials' cement factory at Brevik and the Hafslund Celsio waste-to-energy plant in Oslo.

28. "Energy Transition Outlook: Norway 2025", DNV, December 2025, pp. 63, available at: www.dnv.com.
29. "Project Areas for Offshore Wind in Utsira Nord", Norwegian Government, December 11, 2025, available at: www.regjeringen.no.
30. "Northern Lights Phase 2 Expansion Works", EU F&T Portal, December 17, 2025, available at: https://ec.europa.eu.

In addition, the project involves commercial agreements with the Netherlands, Denmark, and Sweden, and ties into other CCS projects like CO_2 Highway Europe.

The goal of these projects is, as the minister of Climate and Environment put it, "not to phase out industries, but to phase out emissions".[31] This approach, which includes developing new energy vectors (e.g., green gases such as H2 and ammonia), is currently facing challenges. A plant in northern Norway meant to supply the world's largest hydrogen-fuelled ferries is being delayed.[32] The state-owned Silva Green biofuel demo plant has been shut down due to insufficient funding.[33]

Attempts to reduce the carbon footprint of the oil and gas industry have faced pushback from both the Red and the Progress Parties. They argue that using power generated on land to electrify plants such as Equinor's liquid natural gas (LNG) terminal at Melkøya will lead to higher prices for consumers.[34] The Greens consider electrifying the oil and gas sector as contrary to the goal of phasing out supply. This has led to a situation in which it is more precise to talk about competing models of green readjustment rather than a single green transition.

Transition to a post-oil economy

Renewed confidence in the longevity of Norwegian oil and gas production since 2022 is at odds with the aspiration to phase out oil production in a controlled manner. To get the Greens to agree to its budget proposal towards the end of last year, the government announced a committee that would consider the transition to a post-oil era. The Greens advocate ending all exploration and investments in production, including the extended lifetime of wells. The Norwegian Offshore Directorate expects that output will begin to decrease in the closing years of this decade due to depletion.

> Output will begin to decrease in the closing years of this decade

For the moment, the government remains vocal in its support for the fossil fuel industry. At Equinor's autumn conference, the minister of Energy stated that Norway will continue to produce oil "as long as the world needs it".[35] When announcing a white paper (to be delivered in 2027) on the status of the oil and gas industry and the potential road ahead from 2030 onwards, the Prime Minister stated that the

31. "Valgspesial med klimaminister Andreas Bjelland Eriksen" [Election special with Climate Minister Andreas Bjelland Eriksen], Energi og Klima, May 2025, available at: www.energiogklima.no.
32. "Prestisjeprosjekt" [Flagship project], NRK, February 2026, available at: www.nrk.no.
33. "Statlig milliardbeløp brukt på grønt industrieventyr" [Billions of kroner of public money spent on a green industrial venture], Dagens Næringsliv, September 2025, available at: www.dn.no.
34. "Høring om stans i kraft fra land" [Consultation on the suspension of onshore power supply], E24, November 2025, available at: https://e24.no.
35. "Equinor-sjefen og energiministeren varsler fullt trøkk på norsk sokkel" [Equinor CEO and Energy Minister signal full steam ahead on the Norwegian continental shelf], Teknisk Ukeblad, November 2025, available at: www.tu.no.

industry "should be developed, not phased out".[36] The year 2025 saw record investments in oil and gas activity, to the tune of $27 bn. Investments are set to decline in 2026, down to $25 bn, which remains high by recent standards.[37] The year 2025 was also the best exploration year since 2021 and the second-best in the past decade.

Conclusion

Norway is increasingly polarised on the questions of European integration, fossil fuel extraction, and fighting climate change. The 2025 election failed to provide clarity. So far, parties on the left have been unsuccessful in pushing the Labour Party further on climate and on the sovereign wealth fund's investment strategy. The populist right has overtaken Labour in opinion polls, and its agenda of "putting Norwegian interests first" may one day complicate the country's relationship with the EU.

Geopolitically, Norway depends on NATO and, therefore, on US support, while economically it has much stronger ties to the EU. Membership in the EEA and Schengen has long provided the country with some of the benefits of EU membership while also providing flexibility. Many of these benefits are contingent on EU goodwill. As the bloc deals with the dangers of escalating trade wars, Norway risks standing alone.

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36. "Arbeiderparti-regjeringen starter arbeidet med ny petroleumsmelding" [The Labour Party government is launching work on a new white paper on petroleum], Norwegian Government, January 2026, available at: www.regjeringen.no.
37. "Growth in Petroleum-Investment in 2025", Statistics Norway, January 2026, available at: www.ssb.no.

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