

## **Norske Skog appeals the Norwegian Environment Agency's Decision to exclude the two Norwegian mills from the EU Emissions Trading System to the Ministry of Climate and Environment**

The Norwegian Environment Agency has issued a decision to exclude Norske Skog Skogn and Norske Skog Saugbrugs from the EU Emissions Trading System (EU ETS) for the period 2026 to 2030. The decision is based on a revised qualification criterion, which states that facilities exceeding 95% of emissions deriving from sustainable biomass no longer will qualify for free CO<sub>2</sub> allowances. This ruling has significant economic and competitive consequences for Norske Skog, which has invested substantial resources over several decades to become a leader in low fossil CO<sub>2</sub> emissions from the mills.

Norske Skog CEO Geir Drangslund expresses deep disappointment over the decision:

*"This is a major setback for sustainable industry and a clear signal that prioritizing renewable energy and sustainable solutions does not pay off. Norske Skog has heavily invested in energy efficiency and CO<sub>2</sub> reduction, implementing multiple measures to minimize our fossil carbon footprint. This decision penalizes those who have worked to reduce greenhouse gas emissions and instead incentivizes increased use of fossil fuels. This will slow down the green transition."*

The basis for the exclusion is the implementation of a revised qualification criterion in the EU ETS scheme for the 2026-2030 period. The criterion excludes facilities where more than 95% of greenhouse gas (GHG) emissions, on average, during the qualification period from 2019 to 2023, come from sustainable biomass—as defined by the Renewable Energy Directive (RED II)—instead of fossil fuels. As a result, facilities that have successfully reduced their fossil carbon footprint will no longer have incentives to be sustainability leaders within their industry. Facilities excluded from the EU ETS scheme will not be required to submit emissions allowances (EUAs) for their greenhouse gas emissions.

*"We have always been committed to climate responsibility and have made significant investments to reduce our carbon footprint. Now, we are being penalized for prioritizing sustainable solutions. We also believe that our emissions during the qualification period do not exceed the threshold for emissions from sustainable biomass, as defined by the regulations, and that our operations should therefore remain included in the EU ETS system. For this reason, we will appeal the decision to the Ministry of Climate and Environment, as it is crucial for the competitiveness of our businesses and the future of green industry in Norway,"* says Drangslund.

If the decision to exclude Norske Skog Skogn and Norske Skog Saugbrugs stands, these mills will neither be allocated free allowances (EUAs) nor be required to submit emissions allowances (EUAs) to cover their greenhouse gas emissions from January 1, 2026, to December 31, 2030. Norske Skog's Norwegian mills—Norske Skog Saugbrugs and Norske Skog Skogn—will collectively lose approximately NOK 120 million per year, or NOK 600 million in total over the entire period, as a result of the Norwegian Environment Agency's decision.

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