

Mandate for the Economic Transition Commission

The Economic Transition Commission will assess various scenarios and measures to strengthen the Norwegian economy's adaptability, value creation, business development and competitiveness, as The Norwegian continental shelf is entering a new phase with declining oil and gas production and an increasing renewable energy share in Europe at the expense of fossil energy use.

The white paper Meld. St. 31 (2023–2024) Long-term Perspectives on the Norwegian Economy sets out and analyses the challenges facing the Norwegian economy over the next few decades. A number of important factors will guide the Norwegian economy in the coming years:

- Labour scarcity: Demographic trends with more elderly people result in low growth in the labour force and increased demand for health and care services, as also described in the Health Personnel Commission (NOU 2023:4)
- Nature and climate change mean strict limits on emissions of greenhouse gases and the use of nature.
- Increasing demand for and limited supply of clean energy, especially flexible energy.
- Heightened global tensions will affect the localization of production and trade flows.
- Declining activity in the petroleum industry in the long term will entail restructuring away from industries with very high productivity and profitability to businesses with lower productivity.
- Productivity growth has been low over the past decade, both in Norway and elsewhere.

Increasing shortages of labour and natural resources make it necessary to exploit resources more efficiently. The expected decline in petroleum-related industries, increased demand for health and care services, and low working-age population growth in the period up to 2060 will require major labour market restructuring in the coming decades. Transition to new industries has historically been important for economic progress and growth. Transition can foster innovation and increased productivity, which will also provide a basis for financing the welfare state. Under the Paris Agreement, Norway has committed to reducing greenhouse gas emissions by at least 55 percent by 2030 from the level in 1990, at least 70-75 percent by 2035 and has a statutory target of becoming a low-emission society in 2050. Improved productivity in the private sector will increase value creation, while productivity growth in the public sector will contribute to better services and allow tasks to be carried out with fewer resources. It may involve prioritizing differently, performing tasks in new ways, such as digitalisation or artificial intelligence, or turning around adverse developments. Labour scarcity can

to some extent be alleviated by measures that increase the workforce. The Commission should have regard to the work that has been initiated in the Commission for the Local Government Sector (Dale Commission).

The Commission will draw up a strategy to better equip the Norwegian economy to meet the challenges described in the Meld. St. 31 (2023–2024) Long-term Perspectives on the Norwegian Economy, particularly in light of the expected decline in oil and gas production over time. The strategy shall contribute to ensure a sustainable, socially just transition and Norwegian competitiveness in the long term. The discussion of adaptability, industrial development and the competitiveness of the business sector shall build on the understanding of competitiveness agreed upon by the social partners in the reports of the Technical Calculation Committee for Wage Settlements. A country's competitiveness expresses the ability to maintain a sustainable external balance over time, while at the same time making full and efficient use of resources and maintaining an acceptable income distribution. A growing economy with a high degree of restructuring will be characterised by different developments in the competitiveness of the individual industries.

The Commission's work shall take into account the Long-term Perspectives Report's projections on developments in oil and gas production up to 2050 and 2060, showing a decline of 64 per cent towards 2050 and 75 per cent towards 2060. The EU is Norway's most important export market for oil and gas and Norwegian supplies are crucial for Europe's energy security. The EU aims to cut 90 percent of its emissions by 2040 and be climate neutral by 2050. The Commission must consider how a possible realisation of these objectives will influence the projections for Norwegian competitiveness. The Commission shall also consider how resource constraints mean that some industries will experience falling activity, while others may expand as their profitability increases.

In its assessments, the Commission shall take the framework for fiscal and monetary policy as given. The strategy should be adapted to the international uncertainty affecting Norway economy, including the ripple effects of Russia's war of aggression against Ukraine and uncertainty about the international trading system.

The Commission shall, inter alia, discuss:

- Reasons why productivity growth is low, possible special Norwegian developments in productivity and profitability in the various business and public sectors; and characteristics and lessons from industries or businesses that have performed particularly well.
- The role of petroleum activities and their framework conditions for competitiveness in other industries and consequences of declining activity in oil and gas industries.

- The importance of fund revenues financing a large part of the public sector in Norway for the economy's efficiency, adaptability and competitiveness.
- The biggest barriers to using key resources such as labour and energy better than today, and how we can extract greater socio-economic benefit from resources.
- Possible strategies to increase public sector efficiency and what this could mean for profitable growth in the business sector.
- How the need for restructuring on the Norwegian continental shelf and in the Norwegian economy may be affected by abrupt shifts in the oil and gas industry, such as a sharp fall in demand for gas in Europe and other regulatory changes affecting market opportunities for Norwegian oil and gas production. This shall include an assessment of the risk of unprofitable investments being made today within exploration and production in the oil and gas industry, and other relevant risk factors associated with such investments.

The Commission shall ensure broad involvement and knowledge acquisition in its work and look to other countries' experiences of economic restructuring. The investigation shall be carried out in accordance with the Instructions for Official Studies and Reports (Utredningsinstruksen). Socio-economic assessments/analyses shall be carried out, and proposed measures shall be rational from a societal perspective.

The Commission shall submit a report in the spring of 2027. The Commission's assessments shall be presented to Parliament in an appropriate manner.