ICELAND´S INDUSTRIAL POLICY

Comments of the Icelandic Climate Council

22. January 2026

The Prime Ministry has presented a draft industrial policy: a growth plan to 2035. The Icelandic Climate Council has emphasized **the importance of developing Iceland's low-carbon economy** and welcomes the development of an industrial policy in that spirit. However, the Council would like to emphasize the three following points:

1. Guiding principles and premises must support wellbeing and sustainability.

- The premise of the industrial policy is that increased economic growth, increased labour productivity and exports are required for increased wellbeing. Increased economic growth can lead to increased wellbeing, but in the presented industrial policy draft, increased economic growth seems to be an aim it-of-it-self, without safeguards that it indeed will enhance wellbeing. This is a concern, not the least as this emphasis translates to the choice of traditional economic indicators. It is time to look beyond GDP. In that context is important to keep in mind that the emphasis on economic growth or increased labour productivity is not sufficient to enhance wellbeing, social value or to ensure net national benefits of the policy.

- In a developed society that relies on the sustainable use of natural resources and a healthy environment, a focus on economic growth and associated traditional economic indicators and assessments, without significant wellbeing considerations, for example by internalizing and minimizing environmental impact, can act as a misaligned compass for the development of the economy and society in general.

- Sustainable development is an important aim of national development worldwide. Iceland, as other nations, has committed to fulfilling the United Nation´s Sustainable Development Goals. It is a concern that sustainable development is not truly a guiding principle of the policy.

- The policy's vision states: “Value creation is driven by diverse exports based on innovation and sustainable resource use.” It is a concern that nowhere else in the policy is emphasis placed on sustainability including the “sustainable use of resources.” Sustainability in the use of resources does not happen by itself; rather, deliberate action is needed to prevent their overexploitation. A related

concern is the lack of emphasis on ensuring that resource use for industrial development does not compromise community resilience, for example through negative impacts on the environment or other economic activities.

2. Framing needs to include total greenhouse gas emissions, to apply a systems perspective to the whole of economy with regards to the energy transition, and account for environmental impact.

- It is important that industrial development leads to an **absolute reduction** in total greenhouse gas (GHG) emissions. Only with such emphasis will the aim of a low-carbon economy be realized.
- It is positive to see emphasis on lower GHG emissions, carbon capture and storage both with regards to new industries and traditional ones, including for example tourism and energy intensive industries. It is important that the policy pushes for reduction in emissions from traditional industries. It is also positive to see the emphasis on the development of eco-industrial parks and circularity as synergy between industries both with regards to value creation and GHG mitigation can be substantial. It would be desirable to see an even greater emphasis on implementing a circular economy.
- Increased access to affordable renewable energy supporting the energy transition and economic growth is emphasised in the introduction to the policy draft. Energy transition is a key action in developing the low-carbon economy of the future. It is a concern that the policy does not emphasize access to affordable renewable energy, alternative feedstocks for the energy transition, or investment in the transition itself.
- In addition to its impacts on the climate, industrial development has other environmental impacts, including on land use and wilderness, waste and pollution, biodiversity, and water use. It is concerning that the policy does not address these broader impacts. To promote prosperity and wellbeing for the future, these impacts must also be accounted for in the formulation and implementation of industrial policy.

3. Lower carbon intensity must result in reduction in GHG emissions

- Economic development towards a low-carbon economy must be guided by internationally recognized indicators that capture both **direct and indirect climate impacts**. The indicators must be scientifically robust, be specific yet comprehensive, and rely on recognized, reliable, and comparable metrics and data.

- Industrial **carbon intensity** is measured, on the one hand the by the impact of the industry on GHG emissions, capture, storage, or use and on the other hand the production or value creation of the industry.
- The impact on GHG emissions, capture, storage or use all lead to changes in emissions or carbon concentrations in the atmosphere. As a result, all need to be included in the assessment of carbon intensity and total GHG emissions.
- There has been significant development in the methodology for assessing the carbon intensity of products and services. It is necessary to use recognized methods in assessing carbon intensity that captures both direct and indirect climate impacts throughout the life cycle of products and services from cradle to grave.
- Lower carbon intensity does not necessarily lead to a reduction in GHG emissions. A prerequisite for the development of a low-carbon economy is that total GHG emissions are reduced. It is a concern that the policy emphasizes changes in carbon intensity without a comparable emphasis on reduction in total GHG emissions.

4. CONCLUSION

- Iceland´s industrial policy is set for the next 10 years. The impact of the policy will however last much longer. As a result, its development must be robust.
- The premise, framing, and the choice and design of key performance indicators are all crucial to the success of the policy in developing a low-carbon economy that simultaneously promotes well-being and sustainable development.
- One-dimensional premise, framing, and choice of KPIs based on a narrow perspective rather than a broader systems context can lead us astray and thus prevent the policy's objectives from being achieved.