MEMO

TO: EFTA Surveillance Authority (ESA)
FROM: Norwegian Heat Pump Association (NOVAP)
DATE: 14 July 2026
SUBJECT: Addendum to case No 94452 – Assessment of the Norway Price Scheme for District Heating under Article 61(1) EEA and its Distortive Effects on the Heating Market

I. Introduction and procedural context

This memorandum follows up the complaint of 11 August 2025 concerning the Norway Price scheme for electricity[1].

The Authority has since initiated enquiries concerning the Norway Price scheme for electricity and has requested information from the Norwegian authorities. The present submission is intended to supplement the Authority's ongoing assessment and should therefore be read in conjunction with the pending proceedings.

The central issue raised by this submission is whether the Norwegian State, by assuming a financial burden previously borne by district heating undertakings, has conferred a selective economic advantage financed through State resources within the meaning of Article 61(1) EEA. This submission concerns the distinct arrangements applicable to district heating and their effects on competition in the market for heating solutions.

Prior to 1 October 2025, district heating undertakings themselves absorbed the financial consequences of the statutory pricing mechanism established by Section 5-5 of the Norwegian Energy Act[2] (Energiloven). Since that date, those costs have been financed through a State-funded compensation mechanism. The present submission requests the Authority to assess whether that transfer of economic burden constitutes State aid within the meaning of Article 61(1) EEA.

The complainants further submit that the measure is capable of distorting competition in the wider market for heating solutions. District heating competes directly with alternative technologies, including local heat pump systems, for investment decisions made by housing cooperatives, property developers and other building owners. By shielding district heating undertakings from financial consequences that competing technologies must bear themselves, the measure risks altering competitive conditions in favour of district heating.

For the reasons set out below, the complainants submit that the measure satisfies all conditions laid down in Article 61(1) EEA and constitutes State aid.

II. The measure

1 Legal basis and administration

The scheme was established by the Act of 20 June 2025 No. 44 relating to Norway Price and Electricity Support for Households[3] and implemented in the district heating sector through

[1] Complaint to ESA dated 10 August 2025 (Document No 1559883)
[2] https://lovdata.no/dokument/NL/lov/1990-06-29-50/KAPITTEL_6#KAPITTEL_6
[3] https://lovdata.no/dokument/NL/lov/2025-06-20-44?q=norgespris

Regulation No. 1792 of 8 September 2025[4]. The Regulation entered into force on 1 October 2025 and remains applicable until 31 December 2029.

Pursuant to Section 4 of the Act, the Norwegian Water Resources and Energy Directorate (NVE) is responsible for calculating and publishing the applicable support rates and for supervising the district heating arrangements. The Act further authorises the Ministry to designate an entity responsible for administering transfers of support payments and price-hedging settlements to and from district heating undertakings. The scheme is administered by NVE and the Regulatory Authority for Energy (RME).

2 Content of the scheme

Since 1 October 2025, household consumers connected to district heating networks have been entitled to choose between two State-financed support arrangements.

Under the first arrangement, Norway Price for District Heating, customers receive a deduction on their district heating invoice when the average monthly electricity spot price in the relevant bidding zone exceeds NOK 0.40 per kWh excluding VAT in 2026. Conversely, customers are required to pay a corresponding surcharge when the average spot price falls below that level.

Under the second arrangement, Electricity Support for District Heating, customers receive compensation corresponding to 90% of the reference price above a predefined threshold value (NOK 0.75 per kWh excluding VAT in 2025 and NOK 0.77 per kWh excluding VAT in 2026).

Both arrangements are subject to a monthly consumption cap of 4,500 kWh. The cap is applied per dwelling unit in housing cooperatives and condominium associations and per metering point for other customers. Lower consumption limits apply to holiday homes.

Customers who do not actively opt into the Norway Price scheme are automatically covered by the electricity-support scheme.

3 Operational mechanisms

The scheme does not affect the existing contractual relationship between customers and district heating undertakings. Customers continue to receive district heating services under their existing contracts, while the applicable support and price-hedging amounts are calculated and settled through the mechanism established by the Act.

The undertaking subsequently settles the corresponding amounts with the State on a monthly basis through the settlement mechanism established pursuant to Section 4 of the Act.

4 Financing and scale

The scheme is financed through dedicated appropriations in the Norwegian State budget.

The budgetary appropriation for the Norway Price for District Heating arrangement amounted to approximately NOK 65 million in 2025, while the Government estimated in the revised budget expenditure of approximately NOK 1275 million for 2026[5].

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[4] https://lovdata.no/dokument/SF/forskrift/2025-09-08-1792?q=norgespris
[5] Prop. 96 S (2025 – 2026) Proposisjon til Stortinget (forslag til stortingsvedtak)

Approximately 300,000 Norwegian households are supplied with district heating. According to Statistics Norway, approximately 6.6 TWh of district heating was delivered to end users in 2025, of which approximately 1.9 TWh was supplied to households[6].

III. Regulatory Framework: Norwegian Energy Act § 5-5

This complaint is not directed against Section 5-5 of the Energy Act itself. The complaint concerns the State's decision, effective from 1 October 2025, to finance through public resources the revenue losses arising from that regulatory framework. The question is therefore whether that assumption of economic burden constitutes State aid under Article 61(1) EEA.

IV. Assessment under Article 61(1) EEA

1 State Resources

Any compensation granted under the Norway Price scheme would be financed through public funds and attributable to the Norwegian State.

As the compensation is financed through public funds and granted pursuant to a governmental scheme, the measure is both attributable to the State and financed through State resources.

The measure would therefore involve the use of State resources within the meaning of Article 61(1) EEA. The first criterion for State aid consequently is fulfilled.

2 Economic Advantage

The compensation mechanism confers an economic advantage on district heating undertakings within the meaning of Article 61(1) EEA.

According to settled EEA and EU State aid case law, an advantage exists where a public measure relieves undertakings of costs or financial burdens that they would normally have to bear from their own resources in the course of their economic activities.

Prior to 1 October 2025, district heating undertakings themselves bore the financial consequences of the statutory pricing mechanism established by Section 5-5 of the Energy Act. That mechanism limits district heating prices by reference to the cost of electric heating and may therefore reduce the revenues that district heating undertakings are able to obtain from household customers.

Since 1 October 2025, those financial consequences are no longer borne exclusively by the undertakings themselves. Through the contested scheme, the Norwegian State finances compensation linked to the revenue reductions resulting from the statutory pricing mechanism. In economic terms, the State has therefore assumed a burden that previously formed part of the normal operating conditions of district heating undertakings.

The fact that the compensation is reflected in customers' invoices does not alter that conclusion. The relevant question is not the formal payment channel, but the economic effect of the measure. By covering losses that would otherwise have affected the undertakings' financial

[6] https://www.ssb.no/energi-og-industri/energi/statistikk/fjernvarme-og-fjernkjoling/artikler/nedgang-i-bruk-av-fjernvarme-i-2025

position, the scheme shields district heating undertakings from costs and risks that competing undertakings generally must bear themselves.

Accordingly, the measure places district heating undertakings in a more favourable financial position than would have existed under normal market conditions and therefore confers an economic advantage within the meaning of Article 61(1) EEA.

3 Selectivity

The measure also satisfies the selectivity criterion under Article 61(1) EEA.

The relevant reference framework is the general regulatory and market framework governing undertakings active in the Norwegian energy and heating sectors. Within that framework, undertakings are generally expected to bear the commercial consequences of the regulatory conditions applicable to their respective activities.

The contested measure constitutes a derogation from that framework by providing public compensation exclusively to district heating undertakings for revenue losses arising from the statutory pricing mechanism. No comparable compensation is available to undertakings offering competing heating solutions, including suppliers of heat pumps or other renewable heating technologies, nor to undertakings operating in other parts of the energy sector.

The compensation is therefore limited to a clearly identifiable category of undertakings, namely operators of district heating systems subject to the statutory price regulation under Section 5-5 of the Energy Act. It is not available on the basis of objective criteria applicable across the economy, but only to undertakings carrying out a specific economic activity.

Accordingly, the measure confers an advantage on a specific category of undertakings and is selective within the meaning of Article 61(1) EEA.

4 Effect on Competition and Trade

District heating undertakings engage in economic activities in a sector open to competition and investment. According to settled EEA and EU State aid case law, it is sufficient that a measure is capable of strengthening the position of certain undertakings relative to their competitors.

As set out in Section V, district heating is subject to competition from alternative heating technologies. By relieving district heating undertakings of financial burdens that would otherwise have to be borne from their own resources, the measure strengthens their competitive position relative to those alternatives.

The measure is therefore liable to distort competition and capable of affecting trade within the EEA. The fourth criterion under Article 61(1) EEA is accordingly satisfied.

V. Competitive Relationship Between District Heating and Alternative Heating Technologies

1 The Relevant Competitive Constraint

For end-users, the relevant choice is not between competing suppliers of district heating, but between alternative technologies capable of providing the same heating service. In the residential sector, district heating competes directly with local heat pump solutions and other heating technologies capable of delivering space heating and domestic hot water.

From the perspective of residential housing cooperatives, property developers and building owners, these technologies constitute alternative means of satisfying the same demand. Investment decisions are therefore made on the basis of comparative assessments of cost, energy performance, long-term operating expenses and regulatory conditions.

By improving the economic attractiveness of district heating relative to competing technologies, the measure is capable of influencing such investment decisions and thereby distorting competition in the market for heating solutions.

2 Recognition by Norwegian Authorities of Competition Between Technologies

Norwegian authorities have themselves recognised that district heating and alternative heating technologies compete for the same customers.

Recent amendments to the national energy-labelling framework demonstrate that the authorities consider district heating and heat pumps to be alternative solutions capable of fulfilling the same heating function[7]. Consultation documents issued by the Ministry acknowledge that developers and housing cooperatives actively choose between these technologies and that regulatory incentives may influence those choices[8].

These statements support the conclusion that district heating undertakings operate in a competitive environment where alternative technologies exert a significant competitive constraint.

3 Evidence of Customer Substitution

Actual market behaviour confirms the existence of a competitive relationship between district heating and heat pump solutions.

When residential housing cooperatives, developers and property owners evaluate investments in heating infrastructure, district heating is frequently assessed alongside local heat pump systems. The technologies therefore compete directly for the same projects and investment budgets.

The complainants have attached three examples of residential housing cooperatives in which the annual general meeting considered whether to replace existing district heating solutions with local heat pump systems[9]. These cases demonstrate that district heating and heat pumps are treated by end-users as alternative means of meeting the same heating demand and are evaluated against one another in actual investment decisions.

Recent decisions by residential housing cooperatives further indicate that the relative attractiveness of district heating and heat pump solutions is influenced by economic factors, including expected energy costs, regulatory conditions and the availability of public support measures.

These examples provide direct evidence that district heating and heat pumps are regarded by customers as substitutable alternatives and that changes in public policy may influence the choice between them. They therefore support the conclusion that measures favouring district

[7] APPENDIX 4. Press Release on Energy Labelling for Buildings
[8] APPENDIX 5. Horingsnotat-om-endringer-i-energimerkeforskriften-for-bygninger
[9] APPENDIX 1, 2, 3

heating undertakings are capable of affecting competitive conditions in the market for heating technologies.

4 Distortive Effects on the Heating Market

The measure is capable of materially altering competitive conditions in the Norwegian heating market.

As demonstrated above, district heating competes directly with local heat pump solutions and other heating technologies for investment decisions made by housing cooperatives, property developers and other building owners. These technologies represent alternative means of satisfying the same heating demand and are regularly assessed against one another on the basis of cost, energy performance, long-term operating expenses and regulatory conditions.

By compensating district heating undertakings for the financial consequences of the statutory pricing mechanism, while providing no equivalent support to competing technologies, the State improves the relative attractiveness of district heating. The measure thereby influences the economic conditions under which different heating technologies compete.

The practical consequences of this distortion are already becoming visible. As evidenced by the examples attached to this submission, residential housing cooperatives have considered whether to replace existing district heating systems with local heat pump solutions, and the economic implications of public support measures have formed part of those assessments. The measure is therefore capable of influencing actual investment decisions in favour of district heating.

The competitive effects extend beyond a mere distortion of price signals. By shielding district heating undertakings from financial consequences that competing technologies must bear themselves, the measure risks reducing the ability of alternative heating technologies to compete on their merits. Companies offering local solutions, while operating without comparable State support, may face delayed heat pump investment decisions, the exclusion of heat pump alternatives from procurement processes, and reduced opportunities to compete for new projects.

In the longer term, the measure risks foreclosing competing technologies from significant parts of the residential heating market and undermining the market's ability to identify the most efficient, innovative and sustainable heating solutions. The measure therefore strengthens the position of district heating undertakings relative to competing technologies and is liable to distort competitive conditions in the market for heating solutions.

VI. Direct and Indirect Beneficiaries of the Scheme

A further question is whether the relevant beneficiaries of the scheme are the household customers formally receiving the support or the district heating undertakings through which the scheme is implemented.

The formal structure of the measure is not decisive for the purposes of Article 61(1) EEA. According to settled State aid principles, the assessment must focus on the economic effects of the measure rather than on the identity of the immediate recipient.

In the present case, the scheme is implemented through district heating undertakings and is designed to address the financial consequences arising from the statutory pricing mechanism under Section 5-5 of the Energy Act. The measure therefore directly affects the economic position of those undertakings.

Even if household customers are regarded as the direct recipients of the support, the measure confers an indirect advantage on district heating undertakings by protecting them from revenue reductions associated with the statutory pricing framework. The economic effects of the scheme are therefore channelled, at least in part, to an identifiable category of undertakings.

Accordingly, whether the scheme is characterised as conferring a direct or indirect advantage, district heating undertakings must be regarded as beneficiaries for the purposes of Article 61(1) EEA.

VII. Absence of an Altmark Exclusion

The compensation does not appear to fall outside the scope of Article 61(1) EEA on the basis of the Altmark doctrine. The available information does not indicate that district heating undertakings are entrusted with clearly defined public-service obligations (SGEI) that meet the strict Altmark criteria. Nor is the compensation limited to the net costs of a clearly defined service, nor has it been determined through a public procurement procedure or a benchmarking exercise against a typical, well-run enterprise. None of the information available to the complainants suggests that the four cumulative Altmark conditions are fulfilled. Accordingly, the measure should be assessed as State aid within the meaning of Article 61(1) EEA.

VIII. Conclusion

For the reasons set out above, the measure involves State resources, confers a selective economic advantage on district heating undertakings, and is liable to distort competition and affect trade within the EEA. The complainants therefore submit that the measure constitutes State aid within the meaning of Article 61(1) EEA and should be subject to a formal investigation by ESA.

IX. ANNEXES

APPENDIX 1. Housing cooperatives 1

APPENDIX 2. Housing cooperatives 2

APPENDIX 3. Housing cooperatives 3

APPENDIX 4. Press Release on Energy Labelling for Buildings

APPENDIX 5. Horingsnotat-om-endringer-i-energimerkeforskriften-for-bygninger