MORNINGSTAR | DBRS

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DBRS Morningstar Confirms the Kingdom of Norway at AAA, Stable Trend

Industry Group: Public Finance – Sovereigns
Region: Europe

DBRS Ratings Limited (DBRS Morningstar) confirmed the Kingdom of Norway's (Norway) Long-Term Foreign and Local Currency – Issuer Ratings at AAA. At the same time, DBRS Morningstar confirmed Norway's Short-Term Foreign and Local Currency – Issuer Ratings at R-1 (high). The trend on all ratings is Stable.

KEY CREDIT RATING CONSIDERATIONS

The confirmation of the Stable trend reflects DBRS Morningstar's view that Norway's credit fundamentals are solid. The country's strong public finance metrics and solid macroeconomic fundamentals help mitigate risks posed by the weaker external environment, elevated inflation and the rapid and steep rise in interest rates. Following a strong economic performance last year, mainland GDP growth, which excludes the petroleum-based offshore sector, is expected to moderate to 1.3% in 2023 from 3.7% in 2022, due to high inflation and tighter financing conditions. Norway's solid fiscal framework and the conservative management of its oil-related revenues continue to provide the government with ample room to support the economy against severe shocks. The sharp increase in energy prices in 2022 resulted in windfall revenues that reinforced public sector finances and external accounts. Robust nominal growth and higher than expected fiscal revenues contributed to the decrease in the public debt-to-GDP ratio below 40%, and the ratio is projected to stabilise below 40% of GDP over the next few years. In light of increased inflationary pressures, the Norges Bank decided in September 2023 to further tighten its monetary policy by raising the policy rate to 4.25% from 4.0%. This rise in interest rates is translating into higher debt service costs for households and contributing to a correction in house prices. However, Norway's strong fiscal position and strong public sector balance sheet continue to provide ample room to respond to potential challenges.

Norway's AAA ratings are underpinned by its public sector wealth, prudent management of oil-related revenues, strong external position, and sound institutional framework. Norway's strengths offset the credit challenges related to its high household indebtedness, the dependance on the petroleum sector, and the ageing population. However, Norway is well-positioned to deal with these challenges and has substantial buffers to absorb shocks. The country's sovereign wealth fund (SWF), the Government Pension Fund Global (GPFG), had a market value of around NOK 12.4 trillion at the end of 2022, which is equivalent to around 348% of mainland GDP. The GPFG acts as both a current source of income by supplementing the annual budget and as a source of resilience for the Norwegian economy.

CREDIT RATING DRIVERS

Norway is firmly placed in the AAA rating category, but could be downgraded by one or a combination of the following factors: (1) a worsening of financial conditions and medium-term growth prospects that is severe enough to materially affect Norway's financial stability and fiscal position; or (2) a significant weakening of the government's commitment to a prudent fiscal policy.

CREDIT RATING RATIONALE

Economic Activity Is Set To Deteriorate Moderately This Year

The Norwegian economy exhibited strong growth in 2022. High energy prices resulted in nominal GDP increasing by 32.2%. On the other hand, mainland real GDP came in at a more modest 3.7% last year. Economic growth is set to slow this year due to high inflation and tightening financing conditions, both domestically and among trading partners. Mainland GDP is forecast to grow by 1.3%. The oil and services sectors remain more resilient, while other sectors such as construction and manufacturing are experience declining activity. The moderate weakening in economic activity is not expected to be prolonged and is not likely to have structural implications for the Norwegian economy. Investment in petroleum services and in renewable energy is expected to increase, supporting economic growth in 2023 and 2024. Moreover, accumulated household savings during the pandemic and a still tight labour market, with the unemployment rate below 2%, should cushion the impact of high inflation and rising interest rates.

Norway's ratings are underpinned by its wealthy and stable economy, with a balanced income distribution. On the other hand, Norway is a small and open economy that is exposed to potential downturns in external demand. An intensification of the conflict in Ukraine could hinder Norway's performance, along with that of the rest of Europe. Norway's conservative approach to managing oil revenues has helped to limit the economy's vulnerability to oil price shocks, but dependence on the petroleum sector and successful diversification towards other tradable sectors pose challenges in the medium- to long-term.

Norway's External Accounts Are Characterized By A Structural Current Account Surplus And A Positive Net Creditor Position

In 2022 the current account surplus reached a record high level at 30% of GDP from 14% in 2021, due to high energy prices and increased exports of energy goods to the European markets. DBRS Morningstar expects a more moderate surplus over time, despite Norway being now Europe's largest supplier of natural gas. Overall, Norwegian exports of natural gas increased from NOK 578 billion in 2021 to NOK 1,378 billion in 2022, mainly due to elevated energy prices. Driven by large oil exports and a high savings rate, the current account surplus has averaged around 10% of GDP over the last ten years. Norway's positive net international investment position stands at 273.8% of GDP in Q2 2023, reflecting the substantial accumulation of foreign assets through the GPFG. In addition, Norway's flexible exchange rate mechanism acts as a shock absorber. As measured by the import-weighted exchange rate index I-44, the Norwegian krone has weakened since the beginning of the year, reflecting the low interest rate differential against other countries.

Norway's Creditworthiness Is Underpinned By Its Solid Fiscal Framework And Low Public Debt Ratio

Norway's GPFG and strong fiscal position provide the government with ample fiscal space to help the economy withstand severe shocks. Due to the sharp increases in gas prices, the government collected substantial revenues in 2022. The net cash flow from petroleum activity in 2022 is estimated at NOK 1,285 billion, the highest ever recorded. The state collected NOK 715 billion in oil tax. The structural non-oil deficit was 2.7% as a share of the value of the GPFG in 2022, from 3.2% of GPFG in 2021. In its updated budget published in May 2023, the government expects a structural non-oil fiscal deficit of NOK 372.6 billion (equivalent to 3.0% of the value of GPFG) in 2023. This is NOK 56 billion higher than originally budgeted, due to greater financial support for Ukraine and refugees, as well as for other developing countries that are being affected by the conflict in Ukraine.

Norway's solid fiscal framework and conservative management of the oil sector revenues underpin Norway's creditworthiness. Under Norway's fiscal framework, the net cash flow from the petroleum activity are transferred to the GPFG. The proceeds (receipts from the sale of oil and gas reserves and oil and gas taxes) are invested entirely overseas. Norway's fiscal rule also requires that the transfers from the GPFG to the national budget over time should be limited to the expected real return of the fund, estimated at 3.0%. Norway's GPFG is the world's largest sovereign wealth fund, with a market value at around NOK 12.4 trillion, equivalent to around 348% of mainland GDP at the end of 2022.

Norway's solid public sector balance sheet is one of its key credit strengths underpinning the AAA ratings. The government's gross debt ratio is one of lowest among advanced economies, at 37.4% of GDP in 2022. The non-oil budget deficit is financed by transfers from the GPFG and therefore does not trigger any borrowing requirement. The government borrows in local currency to fund government lending schemes, to ensure a well-functioning financial market in Norway, and to cover redemptions of outstanding debt. The large net asset position, standing at 273.5% of GDP in 2022, reflects its large sovereign wealth fund. The Norwegian government's financial assets far exceed total debt. Norway's low public debt ratio, along with the government's asset position and its solid fiscal framework, place Norway in a strong position to mitigate adverse shocks, and therefore support a positive adjustment in the 'Debt and Liquidity' building block assessment.

Norges Bank Set To Continue To Raise Interest Rates; Financial Stability Risks Appear Contained But Vulnerabilities Remain

Norges Bank continued with its hiking cycle in its latest policy meeting on September 21. The central bank decided to further tighten monetary policy, raising its policy rate from 4.0% to 4.25%, reflecting its strong commitment to fight inflation. After growing by 5.8% in 2022, consumer price growth eased to 4.8% in August 2023. Norges Bank expects inflation to ease further in the following months mainly due to lower energy prices and weakening domestic demand.

The Norwegian banking system is well equipped to absorb the likely deterioration in credit quality due to the economic slowdown and the elevated interest rate environment. Norwegian banks remain liquid, profitable and well-capitalized, with the weighted average Common Equity Tier 1 (CET1) capital ratio of the seven largest banks at 18.5% in Q4 2022. Their asset quality is also strong, with the non-performing loan (NPL) ratio amounting to just 0.46% in Q1 2023. The main vulnerabilities of the financial stability are linked to the high level of household indebtedness and banks' large exposure to the housing and commercial real estate (CRE) markets. As of Q4 2022, the household debt-to-gross disposable income ratio was high at 238%, and the share of mortgages at variable rate is elevated, making households vulnerable to increases in interest rates and declines in housing prices. The housing market, after experiencing a period of rapid price growth fueled by low interest rates, growth in household income, and supply constraints, has started to cool. House prices declined in autumn last year but increased in the first half of 2023. Norges Bank does not foresee a sharp decline in housing prices. The CRE market also remains a source of vulnerability, with banks' exposure estimated at around 50% of banks' total corporate exposures. CRE companies in aggregate have a high debt-to-revenue ratio, and therefore are vulnerable to increases in interest rates and income losses. However, the increases in CRE prices since the financial crisis has not been resulted in equivalent borrowing by CRE firms.

Norway benefits from a credible and independent monetary policy authority and proactive regulators. Since the global financial crisis, authorities have undertaken a series of banking regulatory measures and macro-prudential policies to mitigate the vulnerabilities of the financial system. These measures include among others requirements for borrowers to be able to tolerate up to a 7% rise in interest rates or a 3 percentage-point increase, a debt-to-income ratio ceiling at five times borrowers' annual income, and a loan-to-value ratio at 85%.

Strong And Stable Political Environment Underpin Norway's Ratings

Norway's political environment and institutions are very strong, as reflected in the Worldwide Governance Indicators. The country is characterized by strong rule of law, a robust regulatory environment, and low levels of corruption, with a stable and predictable policy framework. After two consecutive terms under the minority center-right coalition, a new center-left coalition was appointed by King Harald V on October 14, 2021. The government consists of a coalition between Jonas Gahr Stoere's Labor Party and the Centre Party. DBRS Morningstar expects the coalition to stay in power until the end of the legislative term and to focus on the management of the energy sector and Norway's relations with the European Union (EU).

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

Environmental (E) Factors
The Resource and Energy Management factor is relevant to the ratings. Norway is one of the world's largest oil and gas exporters, with the petroleum sector accounting for 35% of GDP and 47.4% of state revenues in 2022. The government has been preparing for a post-carbon future through its SWF, the GPFG, where oil proceeds are reinvested abroad, and therefore has become less vulnerable to volatility in commodity prices. DBRS Morningstar has taken these considerations into account within the 'Economic Structure and Performance' building block.

There were no Social and Governance factors that had a significant or relevant effect on the credit analysis.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at (July 4, 2023) https://www.dbrsmorningstar.com/research/416784/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings.

For more information on the Rating Committee decision, please see the Scorecard Indicators and Building Block Assessments.

Notes:
All figures are in NOK unless otherwise noted. Public finance statistics reported on a general government basis unless specified.

The principal methodology is the Global Methodology for Rating Sovereign Governments (August 29, 2022) https://www.dbrsmorningstar.com/research/401817/global-methodology-for-rating-sovereign-governments . In addition, DBRS Morningstar uses the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings https://www.dbrsmorningstar.com/research/416784/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at:
https://www.dbrsmorningstar.com/about/methodologies.

The sources of information used for this credit rating include Government of Norway, the Ministry of Finance of Norway (Revised Budget 2023 – May 203, Key Figures in the National Budget 2023 –May 2023, Norges Bank (Monetary Policy Report - September 2023, Financial Stability Assessment 2023 H1, Statistics Norway, State accounts 2022 - Statsrekneskapen 2022, the Financial Supervisory Authority of Norway, Norges Bank Investment Management, International Energy Agency, International Monetary Fund (WEO - April 2023, IMF Country Report No. 23/272), BIS, Energy Information Administration, Real Estate Norway, the Social Progress Imperative (2022 Social Progress Index), Norwegian Petroleum, World Bank, Freedom House and Haver Analytics. DBRS Morningstar considers the information available to it for the purposes of providing this credit rating to be of satisfactory quality.

With respect to FCA and ESMA regulations in the United Kingdom and European Union, respectively, this is an unsolicited credit rating. This credit rating was not initiated at the request of the issuer.

With Rated Entity or Related Third Party Participation: YES
With Access to Internal Documents: NO
With Access to Management: NO

DBRS Morningstar does not audit the information it receives in connection with the credit rating process, and it does not and cannot independently verify that information in every instance.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. DBRS Morningstar's outlooks and credit ratings are under regular surveillance.

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: https://registers.esma.europa.eu/cerep-publication. For further information on DBRS Morningstar historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see https://data.fca.org.uk/#/ceres/craStats.

The sensitivity analysis of the relevant key credit rating assumptions can be found at:
https://www.dbrsmorningstar.com/research/421263.

This credit rating is endorsed by DBRS Ratings GmbH for use in the European Union.

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For more information on this credit or on this industry, visit www.dbrsmorningstar.com.

Issuer	Debt Rated	Credit Rating Action	Credit Rating	Trend
Norway, Kingdom of	Long-Term Foreign Currency - Issuer Rating	Confirmed	AAA	Stable
Norway, Kingdom of	Long-Term Local Currency - Issuer Rating	Confirmed	AAA	Stable
Norway, Kingdom of	Short-Term Foreign Currency - Issuer Rating	Confirmed	R-1 (high)	Stable
Norway, Kingdom of	Short-Term Local Currency - Issuer Rating	Confirmed	R-1 (high)	Stable

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Norway

Scorecard Indicators

Fiscal Management and Policy	2017	2018	2019	2020	2021	2022	2023	2024	2025	Source	Current Scorecard Input	
Overall Fiscal Balance (% of GDP)	5.0%	7.8%	6.5%	-2.6%	9.4%	22.4%	25.3%	23.7%	21.7%	IMF WEO	13 year average	11.4%
Government Effectiveness (Percentile Rank)	98.6	97.6	97.6	98.6	98.1	-	-	-	-	World Bank	5 year average	98.1
Debt and Liquidity	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**			
General Government Gross Debt (% of GDP)	38.3%	39.4%	40.6%	46.1%	42.7%	39.6%	38.8%	38.5%	38.0%	IMF WEO	5 year projection	37.0%
Interest Costs (% of GDP)	-2.4%	-2.1%	-2.1%	-2.0%	-1.1%	-1.7%	-1.7%	-1.7%	-1.7%	IMF WEO	5 year average	-1.7%
Economic Structure and Performance	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**			
GDP per Capita (USD thousands)	76.2	82.8	76.5	68.4	90.8	106.3	101.1	102.4	103.1	IMF WEO	10 year average	84.8
Output Volatility (%)	1.4%	1.4%	1.5%	1.4%	1.4%	1.4%	1.4%	1.3%	1.3%	IMF WEO	Latest	1.4%
Economic Size (USD billions)	402	440	409	368	490	579	554	564	572	IMF WEO	5 year average	457
Monetary Policy and Financial Stability	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**			
Rate of Inflation (%, EOP)	1.6%	3.5%	1.4%	1.4%	5.3%	5.9%	2.9%	2.8%	2.6%	IMF WEO	13 year average	2.9%
Total Domestic Savings (% of GDP)	145%	140%	149%	170%	155%	120%	-	-	-	SSb/IMF	Latest[1]	120%
Change in Domestic Credit (% of GDP)	-11.5%	-10.8%	13.9%	30.2%	-32.8%	-52.6%	-	-	-	BIS/IMF	7 year average[1]	-8.1%
Net Non-Performing Loans (% of Capital)	2.5%	0.1%	0.7%	0.3%	0.3%	0.4%	-	-	-	IMF IFS	Latest[1]	0.4%
Change in Property Price/GDP Index (%)	-1.6%	-5.7%	1.9%	8.3%	-9.2%	-20.4%	-	-	-	SSb/IMF	7 year average[1]	-2.7%
Balance of Payments	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**			
Current Account Balance (% of GDP)	6.3%	9.0%	3.8%	1.1%	13.6%	30.4%	25.4%	23.2%	21.1%	IMF WEO	8 year average	15.9%
International Investment Position (% of GDP)	218.2%	194.8%	243.4%	281.0%	276.8%	209.4%	-	-	-	IMF	5 year average[1]	241.1%
Share of Global Foreign Exchange Turnover (Ratio)	334.3%	335.6%	366.5%	382.8%	383.5%	329.5%	-	-	-	BIS/IMF	Latest	329.5%
Exchange Rate Classification (see footnote)	1	1	1	1	1	1	-	-	-	IMF	Latest	1
Political Environment	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**			
Voice and Accountability (Percentile Rank)	100.0	100.0	100.0	100.0	100.0	-	-	-	-	World Bank	5 year average	100.0
Rule of Law (Percentile Rank)	99.5	99.5	99.5	99.5	99.5	-	-	-	-	World Bank	5 year average	99.5

See DBRS Morningstar's Global Methodology for Rating Sovereign Governments for additional details on the methodology behind the scorecard indicators and associated scoring thresholds. Exchange Rate Classifications: Freely floating exchange rate = 1; Float = 2; Crawls, banded pegs, and other managed = 3; Stabilized = 4; Pegs, currency unions and dollarized arrangements = 5.

[1] Scores for 2022 have been computed using the most recent data when year-end data is not available.

Rating Committee Date: 27-Sep-2023

Norway

Building Block Assessments and Rating Committee Summary

27-Sep-2023

Building Blocks	Scorecard Result	Quantitative Assessment	Net Impact of Qualitative Factors	Building Block Assessment
Fiscal Management and Policy	20.00	Very Strong	N/A	Very Strong
Debt and Liquidity	18.89	Strong	+ 1 Category	Very Strong
Economic Structure and Performance	15.62	Strong/Good	N/A	Strong/Good
Monetary Policy and Financial Stability	17.98	Strong	N/A	Strong
Balance of Payments	20.00	Very Strong	N/A	Very Strong
Political Environment	20.00	Very Strong	N/A	Very Strong

Overall Assessment	Composite Scorecard Result	Scorecard Rating Range	Composite Building Block Assessment	Indicative Rating Range
	93.7	AAA - AA (high)	94.7	AAA - AA (high)

Norway's Long-Term Foreign Currency - Issuer Rating AAA

Main topics discussed in the Rating Committee include: Norway's fiscal framework, GPGF,external position and export performance, Norway's institutions, and financial sector developments. For additional details on DBRS Morningstar analysis and opinions, please see the accompanying rating report.

DBRS Morningstar Scorecard: Scoring Ranges and Associated Assessment Categories

Lower Bound	0.00	1.00	3.00	5.00	7.00	9.00	11.00	13.00	15.00	17.00	19.00
Upper Bound	0.99	2.99	4.99	6.99	8.99	10.99	12.99	14.99	16.99	18.99	20.00
Assessment Category	Very Weak	Weak	Weak/ Poor	Poor	Poor/ Moderate	Moderate	Good/ Moderate	Good	Strong/ Good	Strong	Very Strong

Norway, Kingdom of

ESG Checklist

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	**Y**	**R**
	Emissions, Effluents, and Waste	Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk?	N	N
	Carbon and GHG Costs	Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk?	N	N
		Will recent regulatory changes have an impact on economic resilience or public finances?	N	N
		Carbon and GHG Costs	**N**	**N**
	Resource and Energy Management	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?	N	N
		Is the economy reliant on industries that are vulnerable to import or export price shocks?	Y	R
		Resource and Energy Management	**Y**	**R**
	Land Impact and Biodiversity	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?	N	N
	Climate and Weather Risks	Under key IPCC climate scenarios up to a 2°C rise in temperature by 2050, will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy?	N	N
	Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social		**Overall:**	**N**	**N**
	Human Capital and Human Rights	Compared with regional or global peers, is the domestic labour force more or less competitive, flexible, and productive?	N	N
		Are labour or social conflicts a key source of economic volatility?	N	N
		Are individual and human rights insufficiently respected or failing to meet the population's expectations?	N	N
		Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	N	N
		Human Capital and Human Rights	**N**	**N**
	Access to Basic Services	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?	N	N
	Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance		**Overall:**	**N**	**N**
	Bribery, Corruption, and Political Risks	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?	N	N
	Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	N	N
		Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	N	N
		Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N
		Institutional Strength, Governance, and Transparency	**N**	**N**
	Peace and Security	Is the government likely to initiate or respond to hostilities with neighboring governments?	N	N
		Is the government's authority over certain regions contested by domestic or foreign militias?	N	N
		Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	N	N
		Peace and Security	**N**	**N**
	Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
		Consolidated ESG Criteria Output:	**Y**	**R**

* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

Norway, Kingdom of: ESG Considerations

29 September 2023

Environmental

The Environmental factor is relevant but does not affect the ratings. Norway is one of the world's largest oil and gas exporters. The economy has a high reliance on the petroleum sector as it accounted for 35% of GDP, 47.4% of state revenues and 65.4% of exports in 2022. Despite having one of the largest oil and gas reserves in Europe, Norway's domestic electricity generation has been mainly sourced from renewable energy such as hydropower since 1891, and wind power more recently. The government has been preparing for a post-carbon future through its sovereign wealth fund, the Government Pension Fund Global, where oil proceeds are reinvested abroad. Moreover, the government budget is isolated from the volatility of petroleum revenues because of the sovereign wealth fund. The Government Pension Fund Global has set a target for its portfolio of companies to achieve net zero greenhouse gas emission by 2050. The Fund is influential in the sustainable investment space given its immense size, and its decision to phase out investment in coal, oil, and gas-related companies is noteworthy. Climate policy in Norway is undertaken in conjunction with the EU and Iceland. Norway's offshore drilling activities have been subject to a carbon tax since 1991. The Norwegian government has been facilitating investments which include carbon capture and storage projects and using hydrogen as a fuel. In its 2021-2030 Climate Plan, Norway has committed to reduce GHG emissions by at least 40% by 2030 compared to 1990 levels.

Social

The Social factor does not affect the ratings assigned to Norway. Norway's high levels of human capital and productivity are reflected in its very high income per capita estimated by the IMF at USD 106,328 in 2022. Respect for human rights is high, and there is widespread access to quality healthcare and other basic services. Norway ranks 1st among countries in the 2022 Social Progress Index. Norway also scores the maximum points under political rights and civil liberties in the Freedom in the World report.

Governance

The Governance factor does not affect the ratings assigned to Norway. Norway has effective and transparent governing institutions, providing a strong environment for investment and limited scope for corruption. The Norwegian government consistently scores above the 95th percentile across the Worldwide Governance Indicators, reflecting also institutional strength and low levels of corruption, according to the World Bank. Additionally, the management of the Government Pension Fund Global is among the most transparent in the world.