



Council of the European Union
General Secretariat

Brussels, 23 January 2026

**DOCUMENT PARTIALLY ACCESSIBLE
TO THE PUBLIC
(12.03.2026)**

WK 1090/2026 INIT

LIMITE

AELE

This is a paper intended for a specific community of recipients. Handling and further distribution are under the sole responsibility of community members.

WORKING DOCUMENT

From:	EEAS
To:	Working Party on the European Free Trade Association (EFTA)
Subject:	Background document on EU-Iceland relations

EEAS CMS TRANSMISSION SHEET

Issue date	
Title of document	Background on EU-Iceland Relations
EEAS Register number	EEAS (2026) 80
Type of Document	Background document
Level of marking or classification	Limited
EEAS Service	EEAS.POL.EURCA.WEST.1
EEAS Desk officer	Krassimir NIKOLOV
EEAS Validation	MD Matti MAASIKAS
Council Working Party concerned	EFTA
Date of Working Party meeting	
For GSC DG C use ONLY	27 January 2026
ST or MD document number	



EEAS (2026)
Limited

EUROPEAN EXTERNAL ACTION SERVICE



MD Europe & Central Asia

Working document of the European External Action Service

of 20/01/2026

EEAS Reference	EEAS (2026)
Distribution marking	<i>Limited</i>
To	EFTA
Title / Subject	Background on EU-Iceland Relations
Reference of previous documents	

Background on EU-Iceland relations

January 2026

1. CONTEXT

Iceland and the European Union (EU) are like-minded partners, with Iceland's support and cooperation in international fora being highly valued. A close partnership with our closest and like-minded neighbours, like Iceland, brings forward a values based approach in global affairs. The focus of EU-Iceland cooperation is based on the European Economic Area (EEA) Agreement and the Schengen acquis, which continues to be constructive, with challenges mainly in relation to the incorporation of legislative backlog. Iceland and the EU also cooperate in a number of areas such as justice and home affairs, research, education, climate change, energy, foreign policy and security. Iceland's position as an Arctic nation is of increasing importance, particularly as geostrategic, climate change and trade issues relating to the Arctic regions are rapidly gaining international interest, opening also wider geopolitical and security implications.

Following snap elections held on 30 November 2024, a centre-left government was formed in December 2024 between the Social Democratic Alliance jointly with the Liberal Reform Party and the populist People's Party. The government platform contains a reference to holding a referendum on a possible relaunch of accession negotiations (with 53% in favour according to a recent poll) and to forming an independent expert group that should advise the government on the "currency issue", i.e. on whether to keep the Icelandic króna or to adopt the euro. A resolution on the referendum will be tabled in Parliament during its 2026 spring session with a view to adoption before the summer break. The resolution will contain the referendum date, which - by law - needs to take place within 3 to 12 months after adoption of the resolution. However, there is no clear majority in favour of joining the EU, according to the latest poll of this kind (April 2025).

[REDACTED]

[REDACTED]

[REDACTED]

While polling shows continued support (around 55%) for the centre-left coalition government, in power since December 2024, and a persistent high popularity for Prime Minister Kristrún Frostadóttir's Social Democratic Alliance party, the other two coalition parties - the Liberal Reform Party of the Foreign Minister, and the (populist-left) People's Party - have seen weakening polling results since the elections a year ago. On the other side of the political spectrum, the former (long-time) state-bearing conservative Independence Party has gradually adapted to its new situation in opposition, changed its leadership, and continued its downward trend in the polls – to the benefit of the populist-right Centre Party, who has doubled its surveyed support since the last elections, focusing on a narrative around migration, future of the Icelandic society, and anti-EU/EEA.

[REDACTED]

[REDACTED]

[REDACTED]

2. THE EEA AGREEMENT

The current Government supports Iceland's participation in the EEA and a commitment to the long overdue implementation of Protocol 35 of the EEA Agreement (establishing the supremacy of EU/EEA law)¹.

Like in other EEA-EFTA partners, Iceland's participation in the EEA faces the problem of a legislative backlog of incorporating EU law into the EEA agreement. The efforts to reduce the backlog are crucial to maintain a level playing field within the EEA. The oldest example showcasing the problem is the Regulation on genetically modified food and feed from September 2003 with a package of related acts, which have still not been incorporated into the EEA Agreement despite the obligation in Article 102 of the EEA Agreement to incorporate EU acts "as closely as possible to the adoption by the [Union] of the corresponding new [Union] legislation with a view to permitting a simultaneous application." Initial discussions on the package started in May 2025, and further information and details have been requested from Iceland.

Improved implementation of the EEA legislation has been high on Iceland's political agenda. The latest semestrial Internal Market Scoreboard, published by the EFTA Surveillance Authority (ESA) in July 2025, shows that the average transposition deficit for directives for the EEA-EFTA States decreased from 1.3% to 0.9% since the November 2024 Scoreboard. In this period, the deficit of Iceland decreased from 2.1% to 1.4%.

One major issue brought up by Iceland in past years was the revision of the EU's Emission Trading Scheme (ETS) for aviation and the perceived impact on the connectivity, role of Keflavik as transatlantic aviation hub and on the economy of Iceland. Intensive discussions were held between the Commission and Iceland in the course of 2023, and an interim solution was found addressing Iceland's concerns and preserving the integrity of the EU's ETS, allowing the revised ETS regime to enter in force simultaneously across the whole EEA as of 1 January 2024.

Under the EEA Agreement, Iceland contributes towards reducing social and economic disparities in the EEA financial mechanism (EEA Grants).

Iceland consistently maintains one of the highest employment rates in the EEA, reaching 87% in 2024 in the 20-64 age group (EU 75.8%). Immigrants in Iceland, a majority of whom are from the EU/EEA have a very high labour force participation rate which is higher (89%) than that of the native-born population. Immigrant workers constituted roughly a quarter of the total workforce.

¹ Protocol 35 stipulates that "for cases of possible conflicts between implemented EEA rules and other statutory provisions, the EEA EFTA States undertake to introduce, if necessary, a statutory provision to the effect that EEA rules prevail in these cases".

EEAS (2026)

Limited

The unemployment rate remained low measuring 3.6% in 2024 (EU 5.9%). The collective bargaining rate is around 90%. There is no national minimum wage; instead, minimum pay and working conditions are set through sectoral collective agreements.

Freedom of movement under the EEA Agreement has also facilitated the possibility of citizens from EU Member States living and working in Iceland. There are currently some 50,000 EU citizens living in Iceland, which constitutes roughly 12% of the entire population of the country. Iceland applies EU rules on the coordination of social security systems (Regulation EC 883/2004 and Regulation (EC) 987/2009) in accordance with Article 29 of the EEA Agreement.

The EEA Agreement has proved to be a solid instrument of EU-Iceland cooperation and helped to jointly address common challenges, including COVID-19. The simultaneous application of the EU Digital COVID Certificate across the entire EEA, as of 1 July 2021 is an excellent example. Nevertheless, Iceland like Norway and Liechtenstein experienced vulnerabilities as regards health emergency response in the area of medical countermeasures. For instance, the EEA countries were not able to participate in EU purchases of vaccines during the COVID-19 crisis on the basis of the EEA Agreement and were subject to export restrictions. In light of the close partnership in the internal market and mutual benefits thereto through cooperation on health emergency measures, the EU, Iceland, Liechtenstein and Norway started negotiations on an autonomous agreement in May 2025.

Through the process, Iceland voiced strong disagreement with the Commission's decision (18 November 2025) to adopt a safeguard measure on the import of ferro-alloys into the EU. Safeguards are however permitted under the conditions spelt out in the EEA Agreement and following consultations, significant efforts have been undertaken to carefully design a measure, which is limiting the impact on EEA-EFTA States as much as possible. Earlier, EEA-EFTA States had been exempted from the current steel safeguards, and the same exemption was proposed in a new measure on steel in October 2025. Exemption was not possible under the ferro-alloys measure due to the sizeable imports from Iceland and Norway (47% of all EU imports). This shows the limitations of the EEA Agreement, which does not cover all EU policies, such as the Common Commercial Policy and the common external customs tariff.

[REDACTED]

[REDACTED]

[REDACTED]

3. FOREIGN, SECURITY AND DEFENCE POLICY COOPERATION

3.1. Iceland's foreign policy

The two main pillars of Iceland's foreign and security policy are NATO membership (Iceland is an Ally since 1949 even though it does not have its own armed forces) and the bilateral Defence Agreement with the US signed in 1951. The US until 2006 maintained the Naval Air Station Keflavik. The base, now operated by the Icelandic Coast Guard, has been recently upgraded and is regularly visited by the US and other Allies military. Iceland also has agreements concerning military and other security operations with Norway, Denmark and other NATO countries (German air squadron operated in Iceland as part of the Rapid Viking exercise).

At the same time, Iceland's pro - European foreign policy has a prominent place for the current government. The pre-electoral political platform drawn by the current coalition included a promise to hold a referendum, by 2027 at the latest, on a possible resumption of EU accession negotiations

EEAS (2026) *Limited*

and to form an independent international expert group that should advise the government on the so-called “currency issue”, i.e. whether to keep the Icelandic krona or adopt the euro. Decisions are awaited in spring 2026 on both issues – a submission by the government to the parliament of a resolution proposing the organisation of a referendum in 2027 and a publication of the conclusions of the currency expert group.

In the wake of Russia’s aggression against Ukraine, Iceland decided at the end of 2024 to draft its first-ever national Security and Defence policy. The task was entrusted to a consultative cross-party parliamentary group which visited Brussels in the spring of 2025. The group’s comprehensive report was published in the autumn of 2025 and served as input for the Government’s draft policy.

The proposal for a new Security and Defence policy is still subject to discussions in Parliament. Adoption is likely in spring 2026, but it depends on other major files (e.g. the resolution on a referendum on EU accession negotiations).

The current government maintains that a well-functioning EEA Agreement is one of Iceland's most important interests. Through the EEA, Iceland holds political dialogue meetings with the EU at the levels of foreign minister, senior officials and working level and, in the majority of cases, supports the EU's foreign policy positions.

Iceland has also made a commitment to seek closer alignment with the EU on foreign policy matters. It is invited on a systematic basis, together with 13 other partners, to align itself with formal EU positions and decisions related to foreign and security policy, i.e. with declarations (statements) by the High Representative on behalf of the EU and Council Decisions on restrictive measures (sanctions). Iceland’s alignment rate in the past years is consistently high: 95% (2020), 91% (2021), 99% (2022), 86% (2023), 92% (2024), 90% (2025).

Iceland cooperates intensively with international organisations on human rights issues. It contributes to relevant UN programmes, such as the UN Development Fund, UNICEF and UN Women. Iceland has in particular promoted and endorsed UN and other international initiatives to promote the advancement of gender equality and women’s rights. Iceland is a like-minded partner of the EU in the field of human rights and cooperation takes place in various multilateral fora (UN, Council of Europe, OSCE). Other focus areas of Iceland in the UN include ocean affairs and governance as well as the discussions around the Law of the Sea. Soon after its 2018-2019 membership of the UN Human Rights Council (HRC), Iceland hold a HRC seat also for the term 2025-2027. Iceland’s main priority in the HRC is the promotion of human rights for all with a special focus on gender equality, children’s rights and LGBTQI+ rights.

There is close cooperation between Iceland and the EU in the Council of Europe. Iceland attaches importance to strengthening the rule of law and protecting human rights (with emphasis on women and children rights, civil society and human rights defenders, and the fight against torture and death penalty). Iceland chaired the Committee of Ministers of the Council of Europe from November 2022 to May 2023 and organised the Reykjavik Summit of the Council of Europe on 16-17 May 2023 that adopted the Reykjavik declaration. Furthermore, in February 2025, former Icelandic Foreign Minister Thórdís Kolbrún Reykfjörð Gylfadóttir was appointed Special Envoy on the situation of children in Ukraine by the Secretary General of the Council of Europe. In the OSCE, Iceland aligns often with EU statements or makes its own statement that is similar to the EU’s.

Due to its geographic situation, Iceland has always prioritised the Arctic. Iceland's Arctic policy focuses on climate change and environmental issues, sustainable development and international cooperation. Iceland held the chair of the Arctic Council in 2019-2021 and has been supportive of the EU's application for observer status to the Council.

3.2. Defence policy and CSDP co-operation

Being at a strategic location in the North Atlantic, a well-established NATO Ally, a member of the Nordic community, and a leading actor in the Arctic cooperation, Iceland is an important partner for the EU. In 2023, the EU and Iceland established a dedicated Security and Defence Dialogue, with three meetings held since then: two in Reykjavik (2023 and 2025) and one in Brussels (2024). Iceland signed a Framework Participation Agreement (FPA) in 2005 and a Security of Information Agreement (in force since 2007). Despite not having armed forces, Iceland had contributed to the EU Police Mission in Bosnia and Herzegovina in the past.

As a NATO ally, Iceland regularly participates in EU briefings and informal meetings with non-EU NATO Allies. Additionally, Iceland takes part in CSDP orientation and non-proliferation courses through the European Security and Defence College. The EU often invites Iceland to observe or participate in CSDP crisis management exercises. Moreover, Iceland has joined the Hybrid Centre of Excellence in Helsinki.

Iceland is displaying strong support for collective measures against Russia. It is aligned with the EU and fully supports and participates in the EU sanctions regime against Russia and Belarus. It has also provided air support to the transportation of aid to Ukraine.

Iceland's Security and Defence policy, still under discussion in parliament, follows three main areas:

- International Defence and Security Cooperation – in addition to the existing NATO and bilateral US pillars, the report calls for stronger engagement in regional and bilateral formats, particularly within NORDEFCO, the UK-led Joint Expeditionary Force, cooperation with like-minded Arctic and Baltic partners, and enhanced collaboration with the EU.
- Increasing Domestic Preparedness – this includes defence-related readiness (beyond the country's already robust natural disaster preparedness) and strengthening contributions to NATO. Priorities include enhancing capabilities, equipment, personnel, and strategic communication.
- Legal and Institutional Framework – addressing existing legal gaps, Iceland is considering the establishment of a comprehensive Security Act, consolidating all relevant legislation into a single legal framework to regulate the functioning of state institutions during crises. It is also examining the potential update of its 2008 Defence Act.

This marks a significant shift in Iceland's security posture. Previously, the country did not consider itself bound by NATO's 2% defence spending target (although it participates in NATO's Capability

EEAS (2026) *Limited*

Targets exercise). It now intends to allocate at least 1.5% of GDP to defence-related expenditures by 2035.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. FOCUS ON SPECIFIC COOPERATION AREAS

4.1. Justice and Home affairs

Iceland is associated with the implementation of the Schengen acquis and its developments, and Iceland's participation continues to develop in a satisfactory manner. Iceland participates in the European Border and Coast Guard Agency by deploying its maritime and aerial assets.

The latest periodic Schengen evaluation (in the areas of external borders, police cooperation, visa policy, return, Schengen Information System/SIRENE and data protection) was carried out in 2022. The evaluation team found serious deficiencies in the area of police cooperation, but these were found to be addressed in a 2023 revisit. Iceland will be subject to a periodic evaluation again in 2029. In 2023 and 2024, Iceland was evaluated during the thematic Schengen evaluations concerning the fight against drug trafficking into the Union and concerning an effective return system. The Aggregated Schengen Scoreboard for Iceland of December 2025 shows that Iceland is meeting or surpassing the Schengen average for the external dimension of Schengen and for the returns of third-country nationals in illegal stay. [REDACTED]

On 12 October 2025, Iceland successfully launched the Entry/Exit System (EES), which digitalises and modernises external borders of the Schengen area. The country also reported to be on track with

the implementation of the large-scale IT systems, the European Travel Information and Authorisation System (ETIAS) and the Interoperability Regulations, aimed at strengthening European security.

Iceland, together with Norway, is also party to two agreements with the EU on judicial cooperation in criminal matters: one on mutual legal assistance, another one on surrender. The country also fully participates in the Schengen Information System on the basis of international agreements (including a cooperation agreement with the Union on the European Arrest Warrant surrender procedure).

Furthermore, Iceland, together with Norway, concluded and ratified an agreement with the EU to participate in the Prüm framework which entered into force 2020. However, Iceland is not yet operational and needs to finalise the evaluation process to be authorised to exchange data with Member States.

An operational cooperation agreement, enabling the exchange of personal data, has been in place with the EU Agency for Law Enforcement Cooperation (Europol) since 2001. Iceland is associated to 16 out of the in total 25 Analysis Projects. Cooperation is good in, for example, the areas of combatting of drug trafficking, trafficking in human beings, fraud, money laundering, asset recovery and terrorism. There is room for improvement in some other crime areas. The country currently takes part in three ongoing Operational Task Forces. Under the European Multidisciplinary Platform Against Criminal Threats (EMPACT) in 2026-27, Iceland participates in 11 operational action plans (out of in total 13), 97 operational actions (out of in total 287) and is leader of one action (online fraud scheme) and co-leader of seven others (online fraud scheme, child sexual exploitation and five drug related actions). Iceland is committed to the ongoing joint efforts to enhance cooperation between the Schengen Associated Countries and Europol.

A Working Arrangement with the EU Agency for Law Enforcement Training (CEPOL) was renewed in 2021. It enables the third country to access training activities at certain conditions and the Agency's electronic Law Enforcement Education platform (LEEd). [REDACTED]

Iceland participates in the return acquis (Return Directive and Return Border Procedures Regulation) to the extent to which it constitutes a development of the Schengen acquis. Iceland has a good return system in place. Iceland participates constructively in the ongoing discussions on the proposal for a Return Regulation (adopted in March 2025).

Iceland is associated with the Dublin acquis (Dublin Regulation and Eurodac Regulation) but does not apply any of the asylum Directives. Iceland participates in the Contact Committees devoted to the issue of implementation of the Asylum acquis.

The EU Pact on Migration and Asylum has an important impact on Iceland, in particular the Asylum and Migration Management Regulation (Dublin acquis) and the Regulation introducing a screening of third country nationals at the external borders (Schengen acquis). In this regard, Iceland has accepted the new developments of the Dublin acquis. While Iceland is not bound to provide solidarity under the Asylum and Migration Management Regulation, Iceland has indicated their readiness to discuss a framework for their voluntary and ad-hoc participation in such a part of the Regulation. This will allow structural and predictable participation in the new solidarity mechanism while preserving the voluntary nature of their contributions. The participation of Iceland in the Dublin acquis is tied to its Schengen Association (under Article 7 of its Schengen Association Agreement).

EEAS (2026) *Limited*

Iceland will have to accept or reject the parts relating to responsibility, without exceptions. If Iceland does not accept the developments of the Dublin acquis, the respective agreement will be terminated, which may also trigger the termination of Iceland's Schengen Association (under Article 7 of its Schengen Association Agreement).

In June 2024, a supplementary agreement between the EU and Iceland was concluded allowing Iceland's participation in the Instrument for Financial Support for Border Management and Visa Policy (BMVI) in the 2021-2027 programming period. Iceland's BMVI programme was adopted by Commission implementing decision in August 2025.

Following signature of the Agreement on the transfer of Passenger Name Record (PNR) data between the EU and Iceland in October 2025, the parties have launched their respective ratification procedures. The objective of such agreement is to enable the transfer and use of PNR data by Icelandic authorities, competent for combating serious crime and terrorism and to strengthen their capability to protect the internal security of the Schengen area.

4.2. Fisheries

Fisheries has traditionally been the single most important part of the Icelandic economy, though tourism has gained the upper hand in recent years. Iceland's fisheries is very productive and highly competitive internationally. The sector directly employs about 5% of the workforce, though it is estimated that up to 20% of jobs are related to the sector. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In the context of alliance building in the North-East Atlantic in the post-Brexit fisheries landscape, the EU engaged in 2023 in consultations with Iceland on a Memorandum of Understanding (MoU) on an enhanced cooperation on fisheries and maritime affairs, as well as on a fishing opportunities arrangement for 2024 and beyond, aiming at reviving and revamping the 1993 Fisheries Agreement. The MoU was signed by Commissioner Kadis and Icelandic Minister of Industries Fridriksson on 15 July 2025, with a High-Level Dialogue assessing the progress made under the MoU in spring 2026. As of January 2026, discussions on an arrangement on fishing opportunities is still ongoing.

In the context of the coastal States consultations, the EU, the Faroe Islands and Norway had agreed on an arrangement for the management of mackerel in the North-East Atlantic for the period 2014 to 2020. This agreement collapsed in 2021 following Brexit. In 2014, Iceland had chosen not to take part in the agreement, and it therefore has a (unilateral) share in mackerel (as well as in Blue Whiting and Atlanto-Scandian Herring, where shared management arrangements elapsed a decade ago). Since 2022, coastal States consultations between the EU, the UK, Norway, Iceland, the Faroe Islands (and the Russian Federation on Atlanto-Scandian Herring) have actively resumed to agree on a set of management measures aiming at distributing quota shares and reducing the overfishing of these three stocks. Discussions are still ongoing as of February 2024. On 15 December 2025, the UK, Norway, Iceland and the Faroe Islands signed a partial sharing arrangement on mackerel for the period 2026-2028, tacitly renewable after that year, without the EU and Greenland.

At the recent North-East Atlantic Fisheries Commission (NEAFC) Annual Meeting, Iceland voted against the EU proposal to set a catch limit for mackerel in line with scientific advice and to counter Russia's unsustainable fishing of mackerel. Iceland also voted against the EU proposal to ban transshipments in international waters. This despite having a ban in their own waters and allowing transshipments, which FAO considers high risk activities due to the high risk of illegal fishing, risks the sustainability of, in particular, the mackerel stock. [REDACTED]

[REDACTED]

Commercial whaling: Iceland is a member of the International Whaling Commission (IWC). Iceland did not object to the IWC moratorium on whaling in 1982 but after the moratorium took effect, Iceland left the IWC in 1992 and re-joined in 2002 with a reservation against it. Iceland resumed scientific whaling in 2003 and commercial whaling in 2006. Iceland is also a party to CITES but lodged a reservation to the listing of most great whales. In 2016 and 2017, Iceland stopped the hunting of fin whales (the hunting of minke whales continued), due to a fall-out with Japan over its food testing laws. In June 2018, one Icelandic company resumed the hunting of fin whales. However, in the light of continued lack of demand, recent statements by the Icelandic government have indicated that the country may not extend whaling beyond 2023, when the validity of all the current whaling permits will have expired.

In 2023-2024, this topic became highly sensitive at political level. The Icelandic Minister of Fisheries and Agriculture adopted a ban on commercial whaling in August 2023. In January 2024, following a complaint, the Icelandic Ombudsman found that the decision, based on welfare considerations, lacked legal basis. The minister was pressured to resign, including by coalition party colleagues. A tense debate on the matter was supposed to take place in the Icelandic Parliament on 22 January 2024, but it was postponed due to serious health state of the Minister of Fisheries and Agriculture.

4.3. Trade, including trade in agricultural products

On 6 January 2021, the Icelandic Ministry for Foreign Affairs released a report on Iceland's trade policy. It acknowledges the great importance of the EEA for Iceland, but insists that Iceland should also "look further", to Asia and China in particular. [REDACTED]

[REDACTED]

[REDACTED]

More recently, on the occasion of the conclusion of the negotiations on the EEA Financial Mechanism at the end of 2023, the Commission and Iceland agreed to conduct and complete a trade review by 2028. Iceland requested such trade review as a means to improve access to the EU market for its fisheries exports, but the review will cover further liberalisation of all goods, including agricultural goods.

In the area of trade liberalisation, the current EU-Iceland agricultural agreement ("Article 19 Agreement"), the agreement on the protection of geographical indications foodstuffs and the agreement on processed agricultural products, based on Protocol 3 of the EEA Agreement, entered into force on 1 May 2018. The Article 19 Agreement provided for new concessions in the form of fully liberalised tariff lines, duty reductions and Tariff Rate Quotas. As Iceland had requested, the EU had opened among others quotas for Icelandic lamb and skyr and Iceland had granted among others quotas for EU cheese, pig meat, poultry meat and beef. As a result of the Article 19 Agreement and

the Protocol 3 agreements, EU exports on almost 90% of agricultural tariff lines and 95% of processed agricultural products tariff lines now enter Iceland duty free.

The EU has made good use of the negotiated Article 19 Agreement, using fully all the quotas. Iceland has used only to a very limited extent the quotas opened by the EU.

Parts of Iceland's agricultural imports are allocated via a quota system, many of which are auctioned. According to Icelandic importers and retailers, this has resulted in maintaining high prices for these imports.

The agriculture sector continues to be protected not only by high tariffs and subsidised production – but also by certain SPS measures restricting import of certain products, among others, milk products, raw eggs and unprocessed milk.

The EU-Iceland Agreement on geographical indications (GIs) for agricultural products and foodstuffs entered into force on 1 May 2018². It covers only foodstuffs, while wines and spirit drinks GIs are protected under the EEA Agreement.

4.4. Customs and direct taxation cooperation

In its relations with the EU, Iceland benefits from a number of provisions on customs cooperation and trade facilitation. These provisions are based on the EEA Protocol 10 providing simplifications of border controls and formalities in respect of carriage of goods between the EU and Iceland (e.g. concerning random checks, veterinary and plant health rules and recognition of inspections and documents).

Iceland belongs to the 24 Contracting Parties of the Regional Convention on Pan-Euro-Mediterranean preferential rules of origin (PEM Convention). The system of Pan-Euro-Mediterranean cumulation of origin allows for the application of diagonal cumulation between the EU, EFTA States, Türkiye, countries participating in the Barcelona Process, the Western Balkans, the Faroe Islands, Ukraine, Georgia and the Republic of Moldova. It is based on a network of Free Trade Agreements having identical origin protocols; those origin protocols are being replaced by a reference to the PEM Convention.

On 7 December 2023, the PEM Joint Committee, including Iceland, adopted the new modernised rules of origin that aim to increase trade between the EU and neighbouring countries in the PEM region. This new set of rules of origin entered into force on 1 January 2025. It was also agreed to develop the use of electronic certification of origin in the view of further simplification of customs formalities.

The EU finalized the process of amending the origin protocols within most of the partners in the pan-Euro-Mediterranean area by implementing a dynamic reference to the PEM Convention. The transitory period which allowed the application in parallel of the old Convention and the revised Convention between the PEM partners having a dynamic link to the Convention in their bilateral protocols, including the EU and Iceland, will come to an end on 31 December 2025. As of 1 January

² OJ L 274, 24.10.2017, ELI: http://data.europa.eu/eli/agree_international/2017/1912/oj

EEAS (2026)

Limited

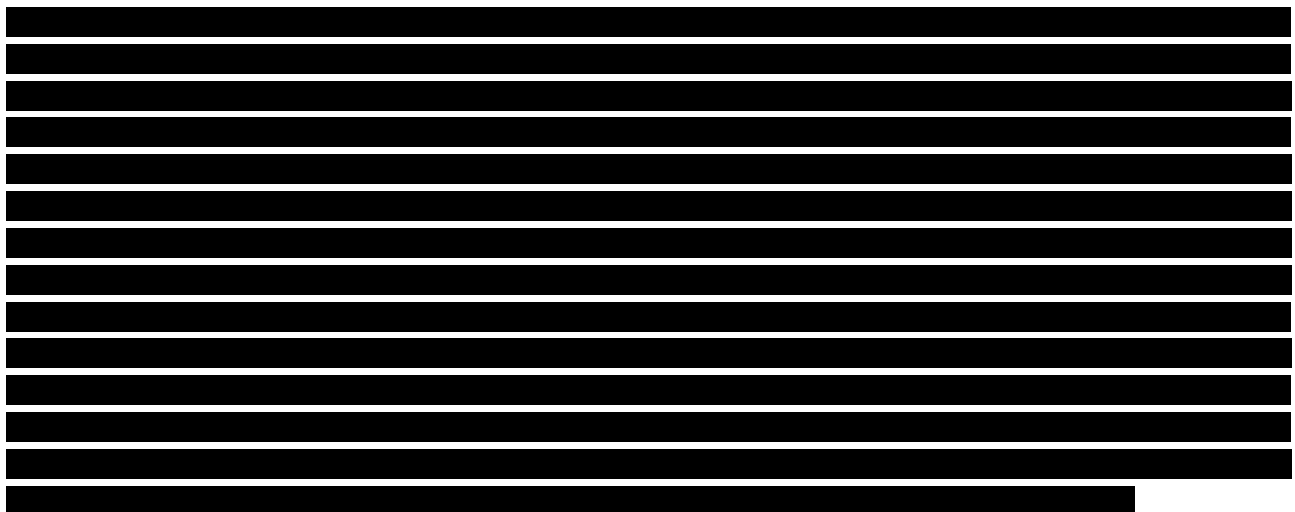
2026, the sole applicable rules of origin between those PEM Contracting Parties will be those of the revised Convention.

As regards customs aspects of market surveillance and product compliance, for which the relevant EEA incorporation procedures are underway, controls on products entering the EU market are to be carried out by designated authorities, usually the customs authorities. The discussions between the EU and the EEA-EFTA countries on related operational aspects, such as exchange of risk information and access to related IT systems, were launched in 2024 and continued in 2025.

Iceland expressed interest to join the EU Customs Single Window environment (CSW). The discussions have been launched between the Commission and Iceland on necessary preparatory work including several requirements which Iceland needs to fulfil (legislative, procedural, technical and resources related).

In relation to the Carbon Border Adjustment Mechanism (CBAM), it is planned that Iceland would apply the CBAM and the relevant process of the incorporation of the EU CBAM legislation into the EEA Agreement is under way.

In the field of direct taxation, Iceland is a signatory of main international standards and agreements on transparency and exchange of information for tax purposes, and in particular the Multilateral Competent Authority Agreement on Automatic Exchange of Information on Income Derived through Digital Platforms (DPI MCAA).



4.5. Climate change and energy

Iceland has vowed to implement its climate objectives jointly with the EU. As an EEA partner, Iceland has been part of the Emissions Trading Scheme (ETS) since 2008. The revised EU-ETS, including the ETS2 that extends emissions trading to fuels used in transport, buildings and small industrial sectors, also applies in Iceland as of 2024. The revised rules for aviation in the EU ETS Directive, as incorporated into the EEA Agreement, contain adaptations that take into account Iceland's specific connectivity concerns. The following changes to the EU ETS Directive on aviation apply to the EEA: the current scope of the ETS is maintained until the end of 2026 and CORSIA is applied to extra-European flights, free allocation will be gradually reduced in 2024 and 2025 to achieve full auctioning

for the sector by 2026, and financial support is introduced to encourage the use of sustainable aviation fuels.

The developments on ETS aviation will continue to closely be monitored by Iceland, as the EU ETS Directive is due for review in 2026, also as the adaptations agreed under the EEA Agreement refer to an evaluation of the air connectivity of Iceland, including consideration of competitiveness and carbon leakage to be performed during the review of the EU ETS. In October 2019 (i.e. prior to the European Green Deal), the EU, Iceland and Norway agreed to extend their cooperation to reduce greenhouse gas emissions by at least 40% by 2030 compared to 1990 levels. Iceland applies consequently the Effort Sharing Regulation (ESR) and the Regulation on Land, Land-Use Change and Forestry (LULUCF). The Green Deal/Fit for 55 revised targets in these two regulations are currently in negotiations to be incorporated into the EEA agreement.

Iceland first announced its goal to become carbon neutral by 2040 in 2017. This commitment was later codified in its Climate Act in 2021, formally setting the target into national law. Under the Paris Agreement, Iceland updated in September 2025 its 2030 Nationally Determined Contribution under the Paris Agreement to clarify that its commitments are separate than the EU's and to revise its headline target of reducing emissions by at least 41% compared to 2030 compared to 2005 in the sectors covered by the scope of the ESR (with other sectors being regulated by the EU-ETS and LULUCF regulation). Iceland also submitted a 2035 NDC, with a target of 50-55% emissions reduction by 2035 compared to 2005 in the sectors covered by the scope of the ESR. It also set, for the first time, a quantified reduction target for emissions from the LULUCF sector, committing to an annual 400–500 kt net reduction of CO₂eq from the LULUCF sector by 2035 compared to 2025.

Despite its international reputation as a 'green' country, Iceland struggled to fulfil its commitments under the Kyoto Protocol for the second commitment period. Greenhouse Gas Emissions have increased over the 1990-2023 period by 25% without LULUCF, While emissions peaked around 2008 and have declined just under 10% from 2005 to 2023, recent years have seen a levelling off with deeper reductions remaining elusive. This is in part due to the fact the energy sector is already virtually decarbonised, with geothermal and hydropower supplying nearly all electricity and heating (over 99%). However, road transport – and particularly its rise caused by tourism - continues to drive emissions. Meanwhile, the potential for further reductions in industrial sectors remains constrained, even as the country's greenhouse gas intensity per unit of GDP has steadily declined since 1990. Finally, while not included in national goals accounting, emissions from aviation also present a significant challenge.

LULUCF is a net source of emissions. The government of Iceland has therefore identified afforestation and reclamation of wetlands as the sector with the highest potential for emissions reduction. The government of Iceland continues to prioritise a transition to a fully decarbonised energy system, with a strong focus on green hydrogen, CCUS, and the phase-out of fossil fuels – particularly in transport and industry. Iceland has achieved notable success in carbon mineralisation technologies, such as the Carbfix project, which permanently stores CO₂ by turning it into stone, and remains a global leader in geothermal energy innovation. Iceland is also looking into an increase of green hydrogen production and its export.

[REDACTED]

4.6. Research & Innovation and other EU programmes

Iceland participates in a number of EU programmes under the current Multiannual Financial Framework 2020-2027 (see Annex).

As a highly innovative country in green and digital areas, Iceland is a key Research & Innovation (R&I) partner for the EU. Iceland excels in the energy (e.g. carbon capture and storage) and fishing sectors (e.g. sustainable fish farming) as well as in health technology and high-tech solutions in the food industry. Iceland has a highly educated workforce, attractive research systems and high levels of digitisation. It invests about 2.66% of GDP in R&D, which is above the EU-27 average of 2.24%, and seeks to make further progress by mobilising more R&D investment in the private sector and improving business-university collaboration, largely based on its 10-year innovation policy ‘The Innovative Iceland’, launched in 2019. Iceland is a Strong Innovator according to the European Innovation Scoreboard 2023, above the EU-27 average.

Iceland has been associated to the EU Framework Programme for research and technological development/innovation since 1994, under Protocol 31 of the EEA Agreement. Iceland was among the best performers among the Associated Countries in the Horizon 2020 programme. Icelandic entities participated 413 times in 308 grant agreements with the EU contribution from Horizon 2020 of about €150 million, while showing a high success rate. Iceland, together with Norway, were the first countries to become fully associated to the Horizon Europe programme – the successor of Horizon 2020 – on 24 September 2021.

Iceland continues to show innovation leadership and excellence across many research areas, including energy, environment, food safety, health and ICT research. Under the Horizon Europe programme, Iceland has so far received €80.5 million in EU funding, having signed 134 grant agreements with 193 participations. The success rate of eligible applicants from Iceland is more than 19%, which is above the EU average of 15.2%. Iceland has been successful across all instruments, including collaborative projects, Marie Skłodowska Curie Actions, European Research Council grants and the SME instrument.³

Through its EEA membership, Iceland has to take over and implement the relevant EU legislation on environment. The Arctic has had a special place in the EU-Iceland research cooperation under the EU framework programmes with a number of success stories. The EU is a major funder of Arctic research – under the Horizon 2020 Programme, the EU funded over EUR 300 million of Arctic research on topics related mainly to climate change, biodiversity, and sustainable development. Horizon 2020 funding in fact became the single largest funding mechanism for Arctic research in Iceland on an annual basis. Horizon Europe Programme continues to support Arctic research.

Iceland is one of six countries associated to the Erasmus+ and European Solidarity Corps programmes, and its institutions and individuals can therefore take part in opportunities offered by these programmes on the same footing as their peers from Member States, and the country hosts a National Agency. The current Annual Work Programme (2024) assigns a total amount of €16.25 million to the National Agency to allow it to manage ‘decentralised’ Erasmus+ activities at national level over this year. Beyond this, Icelandic institutions can apply to parts of the programme that are

³ The cut-off date for the Horizon Europe data is 29 January 2024.

managed from the EC/Executive Agencies in Brussels, where they will ‘compete’ with EU Member States and other associated countries for this global budget. These types of activity fund mobility (exchanges of higher education students but also of vocational education and training students, pupils, educational staff, youth, youth workers etc.) as well as cooperation and partnership not only with other European organisations, but also with non-associated third countries worldwide as part of the international dimension of the programme.

Iceland participates in, and financially contributes to, the following activities of the EU Space Programme: the components EGNOS and Copernicus, as well as the sub-components Space Situational Awareness Space Weather (SSA SWE) and Near Earth Objects (NEO). Iceland contributed to the EU Space Programme with €4.35 million for the period 2021-2023 and will pay €1.7 million for 2024.

4.7. Transport

In aviation, Iceland participates in the EU Internal Market through the EEA Agreement. However, Icelandic carriers do not offer connections inside the EU (as e.g. Norwegian carriers do). Iceland benefits much more from its participation in the EU/US Comprehensive Air Transport Agreement, which allows Icelandic airlines to fully exploit the country’s geographical position to offer connecting flights between both sides of the Atlantic. Iceland also participates in the Union’s multilateral aviation agreement with the Western Balkan countries. [REDACTED]

Iceland is invited and follows the EASA expert meetings on the implementation of ReFuelEU Aviation Regulation as an ad-hoc observer. Given that the Regulation is set with EEA Relevance and that it entered into force on 20 November 2023, it is expected that Iceland as part of the EEA Agreement introduces the Regulation, replacing possible national legislation in this field. Given Iceland’s geographical circumstances, and the importance of air connectivity for the country, Iceland insisted that the EU ETS affects its aviation sector disproportionately. To offer some alleviation from the effects of this Directive, airlines flying to and from Iceland to the EU are eligible for an additional year of free allocation of ETS allowances, provided they have a solid plan to reduce their carbon emissions in the future.

In the field of Air Traffic Management (ATM) Iceland has been a reliable partner for many years. Icelandic airspace is an interface airspace to the EU and therefore it is of strategic importance that transition is seamless, safe and interoperable. Iceland has been implementing Single European Sky (SES) since its conception in 2004. This was formally done through the implementation of the EEA agreement, with the assistance of the EFTA surveillance authority. The applicability of basic SES regulations (SES I) were extended to Iceland despite being part of the airspace of the North Atlantic (NAT) according to International Civil Aviation Organisation classification. The distinction was made in the rules related to airspace to take into account this distinction – that majority of the airspace managed by Icelandic authorities is oceanic airspace. However, in other areas such as technology and airspace management, Iceland authorities are actively implementing SES. Iceland State representatives actively participate as observer in the Single Sky Committee. At the operational level, Iceland is active in implementing the improvements stemming from Single European Sky ATM Research (e.g. Borealis Free Route Airspace project). Therefore, Iceland can be considered as part of the European ATM network and especially with the recent announcement that they will become a member of EUROCONTROL on 1 January 2025.

EEAS (2026)

Limited

In the maritime sector, Iceland, through EFTA representatives, participates in the groups of the European Sustainable Shipping Forum, European Maritime Single Window, and Digital Transport and Logistics Forum.

On port State control (PSC), Iceland applies the Directive 2009/16/EC. This Directive incorporates into EU law a large part of the practices and procedures of the Paris Memorandum of Understanding on port State control. In the area of maritime accident investigation, Iceland applies the Directive 2009/18/EC and participate as observer in the permanent cooperation framework of accident investigation bodies. In relation to 'Maritime Safety in Flag, Coastal and Port State', Iceland is contributing to the European Maritime Safety Agency and is fully and actively involved in all technical and operational work, especially in the area of information sharing (participation in the Union Maritime Information and Exchange System; Integrated Maritime Services). As regards maritime ports, Regulation 2017/352 (as amended by Regulation 2020/697) establishing a framework for the provision of port services and common rules on the financial transparency of ports, applies to the ports of Faxaflóahafnir/Sundahöfn, Höfnin á Seyðisfirði, Hafnir Fjarðabyggðar/Mjóeyrarhöfn Reyðarfirði, Höfnin í Vestmannaeyjum and Landeyjahöfn.

At the International Maritime Organisation, Iceland is a cooperative and constructive partner, particularly concerning fishing vessel safety and fisher training, as well as Greenhouse Gas Emission reduction.

Iceland is considered a neighboring country in the TEN-T Regulation (EU 2024/1679). As such the TEN-T network has been extended to Iceland. The indicative maps include major roads, ports and airports in the country.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4.10. Health

Regarding health, on 18 December 2025, Iceland and the Commission signed a Service Level Agreement on the storage of data of tobacco products, electronic cigarettes and refill containers. The Agreement allows Iceland to use the Commission's common electronic entry gate for the submission of the data. The signing of this Agreement is a fundamental step toward enabling Iceland to fully implement the EU Tobacco Products Directive, increasing the EU-Iceland regulatory alignment and health protection.

EEAS (2026)

Limited

Annex: Iceland's Participation in EU Programmes and Agencies

Participation in EU Programmes

- Horizon Europe
- Digital Europe
- Life
- Erasmus+
- European Solidarity Corps
- European Social Fund+/EaSI
- Single Market Programme
- Union Civil Protection Mechanism
- EU Space Program
- Creative Europe
- EU4Health
- InvestEU
- Instrument for Financial Support for Border Management and Visa Policy
- Security Action for Europe

Participation in EU agencies

- European Foundation for Improvement of Living and Working Conditions (EUROFOUND)
- European Centre for Development of Vocational Training (CEDEFOP)
- European Environment Agency (EEA)
- European Medicine Agency (EMA)
- European Maritime Safety Agency (EMSA)
- European Aviation Safety Agency (EASA)
- European Centre for Disease Prevention and Control (ECDC)
- European Network and Information Security Agency (ENISA)
- European Railway Agency (ERA)
- European Chemicals Agency (ECHA)
- European Union Agency for the Space Programme (EUSPA)
- European Food Safety Authority (EFSA)
- European Agency for Safety and Health at Work (EU-OSHA)
- European Banking Authority (EBA)
- European Insurance and Occupational Pensions Authority (EIOPA)
- European Securities and Markets Authority (ESMA)
- European Union Agency for the Cooperation of Energy Regulators (ACER)
- European Data Protection Board (EDPB)
- European Border and Coast Guard Agency (Frontex)
- European Union Agency for Asylum (EUAA)
- European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA)
- European Union Agency for Law Enforcement Cooperation (Europol)
- European Union Agency for Law Enforcement Training (CEPOL)

EEAS (2026)

Limited

- Body of European Regulators for Electronic Communications (BEREC) (constitutional requirement pending)
- European Labour Authority (ELA)

Executive agencies:

- European Innovation Council and SMEs Executive Agency (EISMEA)
- European Climate, Infrastructure and Environment Executive Agency (CINEA)
- European Education and Culture Executive Agency (EACEA))
- European Health and Digital Executive Agency (HADEA)
- European Research Council Executive Agency (ERCEA)
- Research Executive Agency (REA)