

25 October 2011

Screening report

Iceland

Chapter 27 – Environment

Date of screening meetings:

Explanatory meeting: 22 -24 November 2010

Bilateral meeting: 17-20 January 2011

I. CHAPTER CONTENT

EU environment and climate change policies aims to promote sustainable development, shift to a low carbon and resource efficient economy and protection of the environment for present and future generations. Key principles are preventive action, the polluter pays principle, fighting environmental damage at source, shared responsibility and the integration of environmental and climate considerations into other EU policies. *Acquis* comprises over 200 legal acts covering horizontal legislation, water and air quality, waste management, nature protection, industrial pollution control and risk management, chemicals, noise, civil protection and climate change. Biodiversity loss and climate change represent the greatest threats for the quality of life on our planet. EU climate action and the conservation and sustainable use of biodiversity and ecosystem services are fundamental pillars in ensuring sustainable growth.

Compliance with the *acquis* requires significant investment. A strong and well-equipped administration at national and local level is imperative for the application and enforcement of the *acquis* in this chapter, which is partly covered by the EEA Agreement. The major exceptions are the nature sector, which is not covered, and the water sector, which is partly covered.

II. COUNTRY ALIGNMENT AND IMPLEMENTATION CAPACITY

This part summarises the information provided by Iceland and the discussion at the screening meetings. Iceland stated that it accepts in general the *acquis* concerning environment and climate change and implements a substantial part of it as it is partly covered by the European Economic Area (EEA) Agreement. Iceland stated that it does not expect difficulties with implementation of the *acquis* in general by the date of accession and identified several issues that require specific attention in the negotiations, in particular in the areas of water quality and nature protection.

ENVIRONMENT

II.a. Horizontal legislation

This sector is largely covered by the EEA Agreement. Iceland explained that Directive 85/337/EEC on **Environmental Impact Assessment (EIA)** has been transposed by the Act on Environmental Impact Assessment No. 106/2000 and by Regulation on Environmental Impact Assessment 1123/2005. The existing legislation lays down procedures for EIA, establishes a list of projects requiring EIA and designates bodies in charge of implementation. The existing law also obliges the Ministry of Environment (MoE), and other relevant bodies to inform and consult the public on plans falling within the scope of Environmental Impact Assessment criteria and reports, and lays down procedures for such information and public consultations. Iceland indicated that structures responsible for implementation of the Directive are in place, with a lead role for the MoE.

The MoE has 32 employees and is responsible for legislation. Several agencies and institutions are responsible for implementation. These are, amongst others, the Environment Agency with 70 staff members, the Construction Agency (16 staff) and the National Planning Agency (21 employees).

Iceland explained that its legislation is partly in line with Directive 2003/35/EC on **public participation** and that full transposition is foreseen for early 2012. The transposing act shall ensure effective procedural guarantees for the public concerned to access to justice under the scope of the Directive. Iceland informed that it foresees ratification of the Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention), which it signed in 1998, in 2011-2012.

Iceland stated that Directive 2001/42/EC on **Strategic Environmental Assessment (SEA)** is transposed. Implementing authorities have been identified and the MoE is leading in its implementation. As to the Convention on Environmental Impact Assessment in a Transboundary Context (Espoo Convention) and the Protocol on Strategic Environmental Assessment to the Convention on Environmental Impact Assessment (SEA Protocol), Iceland stated that it will ratify by the date of accession.

Iceland explained that Directive 2003/4/EC on **public access to environmental information** has been transposed into Icelandic law by its Act No 12/2006 on Access to Environmental Information. Iceland indicated that structures responsible for implementation of the Directive are in place. Relevant information is published on the web-site of MoE free of charge. In line with the provisions of the Directive, the right to review a decision of the authorities not to supply environmental information is in place.

As regards **environmental liability**, a bill to transpose Directive 2004/35/EC has been presented to Althingi and full transposition is foreseen for 2011. The Environmental Agency will be the competent authority. Iceland has not transposed Directive 2008/99/EC on **environmental crime**, which is not yet part of the EEA Agreement. Iceland stated that it will transpose the Directive by the date of accession.

Iceland is a member of the **European Environment Agency** and participates fully in the European Environment Information and Observation Network (EIONET). Iceland's National Focal Point coordinates the national EIONET network, collects the data for different fields (air, water, etc) and submits these to the Agency. The MoE is represented on the European Environment Agency's Management Board and cooperates closely with the National Focal Point, especially in drafting major Agency reports.

Iceland stated that Directive 2007/2/EC establishing an Infrastructure for Spatial Information in the European Community (INSPIRE) is expected to be fully transposed in 2012. The coordination structures required under the Directive are already in place, amongst others through participation in the INSPIRE Committee and a survey amongst governmental agencies and local municipalities. The creation of on-line availability of metadata is in progress. Reporting and monitoring have not yet started. Directive 91/692/EEC on **reporting** has been transposed.

II.b. Air quality

This sector is almost fully covered by the EEA Agreement. Older EU legislation in the field of air quality, such as the **ambient air quality Framework Directive 96/62/EC** and its four 'daughter' Directives on air quality has been transposed. Iceland stated that for some substances it maintains stricter limit values than required in these Directives.¹ Iceland has not yet transposed Directive 2008/50/EC on **ambient air quality and cleaner air for Europe**, which has repealed and replaced the former framework Directive and three of its 'daughter' Directives, but foresees no problems in transposing the Directive by the date of accession. The Environment Agency and local health inspection authorities are the designated competent authorities. The information system for monitoring and reporting on air quality from stations is in place. Iceland has also transposed Directive 94/63/EC on **volatile organic compound (VOC)**

¹ Directive 1999/30/EC relating to limit values for sulphur dioxide, nitrogen dioxide and oxides of nitrogen, particulate matter and lead in ambient air, Directive 2000/69/EC relating to limit values for benzene and carbon monoxide in ambient air, Directive 2002/3/EC relating to ozone in ambient air and Directive 2004/107/EC relating to arsenic, cadmium, mercury, nickel and polycyclic aromatic hydrocarbons in ambient air.

emissions from storage of petrol and its distribution from terminals to service stations and Directive 2004/42/EC on **limitations of emissions of volatile organic compounds (VOCs)** due to the use of organic solvents in certain paints and varnishes and vehicle refinishing products. Iceland stated that it foresees no problems in transposing Directive 2009/126/EC on **Stage II petrol vapour recovery**.

Iceland is party to the Convention on Long Range Transboundary Air Pollution (LRTAP), but not to the Gothenburg Protocol to this Convention. Iceland indicated that it did not foresee any problems in full transposition by the date of accession. Directive 2001/81/EC on **national emissions ceilings** has been incorporated into the EEA Agreement but has not yet been transposed. Iceland indicated that it planned to transpose the Directive in 2011.

II.c. Waste management

Acquis in this area is almost fully incorporated into the EEA Agreement. Iceland indicated that it foresees transposition of the **Waste Framework Directive** 2008/98/EC for 2012. Older Directives in this sector, such as the **Waste Framework Directive** 2006/12/EC, Directive 91/689/EEC on **hazardous waste**, Directive 75/439/EEC on **waste oils** have been transposed by regulations 737/2003 and 184/2002, whereas the legal basis is Act 55/2003 on waste management. This Icelandic legislation lays down definitions and principles regarding prevention and reduction of waste generation as well as encourages waste recovery through recycling and other methods. The Environment Agency is the competent authority for implementation, enforcement and reporting. The Agency is developing a new National Waste Management Plan to be published in 2011, whose content will be in line with requirements in the new Waste Framework Directive.

Iceland stated that Directive 1999/31/EC on the **landfill** of waste has been transposed. According to Iceland, provisions and procedures for the landfilling of waste are in line with the Directive. The Environment Agency is the competent authority as regards implementation, enforcement, inspection and reporting. Municipalities are responsible for collection and treatment of municipal waste. Environmental protection inspectors carry out controls of landfills: inspections are performed every other year or once or twice per year, depending on the size of the landfill. All landfill sites will be examined for emission of gas and be made compliant by 2012. According to Iceland, it is on target to meet the requirements under the Directive as regards the amount of biodegradable municipal waste going to landfills, with a percentage reached of 63,75% in 2008 of the amount produced in 1995.²

Iceland informed it has transposed Regulations (EC) No 1013/2006 on **shipment of waste**, as well as the amendments (Regulations) 1379/2007, 669/2008 and 308/2009. The Environment Agency is the competent authority for implementation and enforcement. Iceland stated that its system for the supervision and control of shipment of waste to, from and through the national territory is in line with the regulation. This also goes for the establishment of the requirements for the procedure of prior written notification and consent, general information requirements, establishment of a system to handle cases of illegal traffic of waste etc. Regulation (EC) No. 1418/2007 on the **export and recovery of certain waste** listed in Annex III or IIIA of Regulation 1013/2006 is not transposed, as it regards the EU's relations with third countries. Iceland indicated it will be ready to implement these by the date of accession.

² The target in the Waste Management Strategy was to reach the target of reducing biodegradable municipal waste going to landfills to 75% of the total amount of this waste produced in 1995. The next target is to reduce to 50% by 2013.

Iceland informed that transposition of Directive 2006/21/EC on management of **mining waste** is foreseen for 2011 and that an according change to the relevant Act 55/2003 on waste treatment is before parliament. Iceland stated that it will transpose this Directive by the date of accession. Directive 94/62/EC on **packaging and packaging waste** has been transposed. Iceland stated that it has an adaptation under the EEA Agreement as regards Article 6, which it wants to keep. Iceland stated that targets set for recovery and recycling are in line with the 2004 revised version of the Directive, as are the measures ensuring that no packaging is marketed unless it meets the essential requirements laid down in the Directive. Municipalities are putting in place separate collection systems, which will help Iceland meet its targets.

Iceland indicated that Directive 2000/53/EC on **end-of-life vehicles** has been transposed through its regulation 303/2008. The Icelandic Recycling Fund, which employs five staff members, offers contracts to the collectors of end-of-life vehicles and pays for the transport of scrap metal to the nearest recycling facility. The targets and measures to reach these are set, in line with the Directive, in the National Waste Management Plan. Decisions 2005/63/EC, 2005/437/EC, 2008/689/EC and 2010/115/EU have not yet been transposed. Iceland expects to transpose these in 2011.

Directive 86/278/EEC concerning the use of **sewage sludge** in agriculture has been transposed. Iceland has, in line with the requirements of the Directive, set limit values for heavy metals in soil and sludge, prohibited the use of sludge when these limit values in soil are exceeded, established the rules for the use of sludge and established mechanisms for the analysis of soil and sludge.

Iceland has transposed Directive 2002/96/EC on **waste electrical and electronic equipment** (WEEE). The Environment Agency and the Steering Committee for Waste Electrical and Electronic Equipment are the competent authorities, and a system for separate collection of WEEE has been established in line with the Directive. Iceland stated that its system is also fully in line with the Directive as regards other requirements, such as producers' responsibility for the financing of management of WEEE, maintenance of a register of producers and collection of information on WEEE and the establishment of an effective inspection and enforcement system.

Directive 2002/95/EC on **restrictions for the use of hazardous substances** in electrical and electronic equipment is transposed on the basis of Act no 52/1988 on toxic and hazardous substances. Transposition of Decisions 2006/690/EC, 2006/691/EC, 2006/692/EC, 2008/385/EC, 2009/428/EC, 2009/443/EC, 2010/122/EU and Directive 2008/35/EC is foreseen for 2011. Iceland informed that transposition of Directive 2006/66/EC on **batteries and accumulators** is foreseen for 2011. Iceland has transposed and implements the old Directive 91/157/EEC. The Environment Agency is the competent authority as regards implementation, whereas the local health authorities and the Administration for occupational health and safety are responsible for enforcement. A collection scheme for waste batteries and accumulators is in place. Directive 96/59/EC on disposal of polychlorinated biphenyls and polychlorinated terphenyls (**PCB/PCT**) has been transposed.

II.d. Water quality

This sector is partly covered by the EEA Agreement. As to the **Water Framework Directive** (WFD) 2000/60/EC, Iceland informed that it foresees transposition in 2011. Iceland pointed out that under the EEA Agreement it has an adaptation period, giving Iceland longer time limits than mentioned in the Directive. Iceland informed that according to the draft bill for transposition of the WFD, the River Basin Management Plan (RBMP) is to be finalised at the latest on 1 January 2018, and a proposal for programmes of measures at the latest 1 January

2018, to be in force in January 2021. Iceland stated that the environment authorities have planned to shorten these timelines so that Iceland's ambition is to finalise its first RBMP at the time when member states finalise their second RBMP, namely January 2015.

Iceland outlined the following planning for finalisation of the RBMP:

The competent authority, namely the Environment Agency, will, in cooperation with state agencies, municipalities, consultation committees and stakeholders analyse and characterise in 2011 the water bodies of the River Basin District (the legislation identifies Iceland as a single River Basin District). The Environment Agency also foresees to prepare an economic analysis of water use in Iceland before the end of 2011. The establishment of a monitoring network, public consultation, nomination of protected areas and characterisation of river basins is to take place in 2012. Monitoring programmes shall be in force at the latest by January 2015; such programmes are already in place for surface waters, certain ground water systems and drinking waters.

Iceland further informed that the ambition was to have a draft RBMP ready in January 2014, to be finalised in January 2015, as well as a draft programme of measures. The planning is to have the programme of measures put into effect in January 2018 and to meet the environmental objectives in January 2021. Whereas the first management cycle is to end in 2021, the second RBMP and first flood risk plan are to start that same year.

Iceland informed that Directive 91/271/EEC on **urban wastewater treatment** is transposed. The Environment Agency has established a list of all agglomerations of over 2.000 population equivalent (p.e.) and identified their generated load, the current status of collecting systems and treatment levels. As regards waste water collection, Iceland informed that all agglomerations with a discharge of over 2.000 p.e. have a collecting system in place for urban waste water, in many places with separate treatment for industrial activity. Iceland has identified one sensitive area - Lake Thingvallavatn and its catchment area - where more stringent treatment is in place. As regards less sensitive areas, Iceland informed that there are eleven agglomerations discharging into coastal waters generating a load of more than 10.000 p.e., mostly due to waste water from the fish industry. Iceland stated that under the EEA primary filtering of sewage is considered sufficient as long as the receiving area is classified as less sensitive. As to discharges into freshwater and estuaries, Iceland stated that all urban waste water from the five agglomerations generating more than 2.000 p.e. are subject to secondary treatment.

Iceland informed that it is currently assessing the **Marine Strategy Framework Directive** 2008/56/EC and stated that it does not foresee major problems with transposition, but linked this to the outcome of negotiations on chapter 13, fisheries. Iceland takes part in the OSPAR convention for the protection and conservation of the North-East Atlantic and its resources. Iceland informed that it notifies the Convention of the relevant elements required by it, which are partly in line with the requirements under the Marine Strategy Framework Directive.³

According to Iceland, Directive 98/83/EC on **drinking water** has been transposed by Regulation 536/2001. According to the information provided, Directive 91/676/EEC on **nitrates** is transposed in Icelandic legislation. Iceland has in place a programme for monitoring nitrates in fresh waters and ground waters with a series of measuring stations. A code of good agricultural practice has been established and limits for fertiliser application are in place, as are measures for minimum storage capacity, location and construction of manure storages.

³ During the Bergen Ministerial Meeting of September 2010, the Convention for the Protection of the marine Environment of the North-East Atlantic (OSPAR) has decided to be restructured as the platform to facilitate the regional implementation of the Marine Strategy Framework Directive, which should facilitate convergence by Iceland towards implementing the Directive.

Iceland informed that Directive 2006/7/EC on **bathing water** has not been transposed, and that there is no specific legislation concerning natural bathing waters in Iceland. Iceland foresees no problems transposing the Directive by the date of accession. The Environment Agency has started work on preliminarily identifying bathing waters falling under the scope of the Directive.

Iceland informed that it foresees transposition of Directive 2008/105/EC on **water quality standards** for 2011. Iceland has not transposed the **floods** Directive 2007/60/EC, but does not foresee any problems in transposing by the date of accession. The Hydrological Service in Iceland has mapped the extent and boundaries of the floods, produced a census of historical floods, performed flood-frequency analyses and implements a real-time monitoring and warning system. According to Iceland, these activities are in line with requirements in the Directive.

II.e. Nature protection

This sector has not been incorporated into the EEA Agreement. Iceland indicated that the Habitats Directive (92/43/EEC) has not been transposed. According to Iceland it is reviewing the Nature Conservation Act, taking into consideration the Wild Birds and Habitats Directives. Iceland is also reviewing the Act on Conservation, Protection and Hunting of Wild Birds and Mammals with the aim of meeting international agreements for the protection of wild mammals and birds to which Iceland adheres. Iceland stated that it will adopt legislation in time for accession based on the result of the accession negotiations.

Icelandic legislation takes into consideration international obligations: Iceland adheres to such as the Convention on Biological Diversity (CBD), the Ramsar Convention, the Bern Convention, the International Convention for the Regulation of Whaling (ICRW) and the Agreement on Cooperation in Research, Conservation and Management of Marine Mammals in the North Atlantic (NAMMCO Agreement).⁴ Institutions with a role in nature protection and conservation and management of natural resources are the MoE with a staff of 32, the Environment Agency with 70 staff members, the Institute of Natural History with a staff of 50 employees, the Ministry of Fisheries and Agriculture with 42 employees, the Marine Research Institute with 170 employees, the Institute of Freshwater Fisheries with 20 staff and the Directorate of Fisheries with 75 staff members.

Iceland has 102 protected areas selected on the basis of international rules such as in the Bern Convention, covering 19% of its area. As regards soil conservation areas, the Soil Conservation Service with 60 staff is the executive agency.⁵ The Forest Service (50 staff) is responsible for management of national forests and the Vatnajökull Glacier National Park Agency employs 12 staff.⁶ The Environment Agency is in charge of preparations for the establishment of protected areas, it oversees nature conservation areas in general as well as preparation of management plans. Several of these plans have been finalised, whereas some are in the final stage of completion. The Agency reports annually to the MoE on the condition of the protected areas. These reports do not cover the adjacent areas, as stipulated in the Directive. The selection is not based on mapping habitats and the systematic building of a network of protected areas, as required by the Habitats Directive.

Iceland has defined and mapped habitat types in around 40% of the country on the basis of the criteria of the Emerald Network of the Bern Convention. Some types however are not defined in

⁴ The Ramsar Convention is the Convention on Wetlands of International Importance Especially as Waterfowl Habitat; the Bern Convention is the Convention on the Conservation of European Wildlife and Natural Habitats.

⁵ The key aim for soil conservation areas is to decrease the amount of stress on land due to grazing.

⁶ The Park covers 13% of Iceland's surface area.

the EU Interpretation Manual. Iceland stated that the results are in line with the EU classification system, but not with *acquis* requirements. No work has been carried out on other terrestrial areas and fresh water and marine areas. Iceland estimates it will need three to six years to map the remaining areas, including marine areas. The Institute of Natural History will have a key role as well as the Marine Research Institute, as they are responsible for the structured collection of information in the field of nature. Iceland indicated that it already has extensive scientific knowledge of the distribution of terrestrial and marine animals and plants. However, no work has as yet been undertaken to list sites hosting natural habitats for Annexes I or II. To this end Iceland has to finalise the aforementioned mapping of habitat types. On this basis a list of Sites of Community Importance can be established. Iceland also indicated it will need to consult with stakeholders such as landowners and municipalities in order to select areas for conservation and/or review terms of protection for several areas already protected under Icelandic legislation. Iceland will have to introduce the concept of Natura 2000, including the setting up of a national ecological network and designation of sites for the NATURA 2000 network. Management plans for national and nature parks will also have to be adopted.

Iceland stated that, whereas salmon, grey seals, harbour seals, porpoises and bottlenose dolphins are listed in Annex II as species that require the designation of special areas of conservation, it has no such designated special areas for these species. Iceland informed that salmon populations and habitats are protected under the Salmon and Trout Fishing Act No. 61/2006. Fishing of salmon is allowed, on the basis of a management plan approved by the Directorate of Fisheries. As regards the establishment of a system of strict protection for Annex IV species, Iceland informed that the species listed in this Annex and found in Iceland are the arctic fox and all cetaceans. Iceland allows for hunting of the arctic fox in certain areas and under certain conditions in defined periods. Iceland stated that the number of arctic fox has been increasing in the last decades and that it is considered a threat to livestock. Iceland informed that 23 whale species are not strictly protected. Iceland also stated that it currently utilises two stocks, minke and fin whales.

Iceland stated that whaling has a long tradition in Iceland. Iceland recalled it has a reservation with respect to the International Whaling Commission's moratorium on commercial whaling. Iceland therefore considers itself not bound by the moratorium and finds its whaling therefore to be in accordance with international law. The Ministry of Fisheries and Agriculture is responsible for the conservation and management of cetaceans. Iceland stated that according to scientific assessment of the status of whale populations, the two stocks currently exploited - fin whales and minke whales - have a healthy status. Annual catch quotas for 2011 and 2012 of 154 fin and 216 minke whales are, according to Iceland, precautionary and within limits of sustainability.

Iceland informed that whaling in Iceland is conducted with an explosive harpoon using penthrite grenade, in accordance with IWC rules. Iceland furthermore indicated that it is as yet unclear whether methods used for hunting grey and harbour seals in Iceland fall under Annex VI.

Iceland stated that it does not have a single system to monitor the conservation status of priority natural habitat types and that it plans to establish such a system in line with *acquis* requirements to monitor the conservation status.

Iceland has not transposed the **Wild Birds Directive** (2009/147/EC) and foresees, as for the Habitats Directive, that it will adopt legislation in time for accession based on the result of the accession negotiations. The Environment Agency is responsible for wildlife management and surveillance and is in charge of preparations for the establishment of protected areas, whereas the Institute of Natural History - the main scientific and advisory body on protection and

hunting of wild birds - is in charge of amongst others research, assessment of conservation status, estimation of wildlife population sizes and sustainable hunting levels for wild birds and preparations for the establishment of protected areas and ecological networks.

Icelandic legislation foresees protection for wild birds and mammals unless otherwise stated in Act No. 64/1994 on Protection and Hunting of Wild Species. As regards the identification of potential species to be listed in Annexes of the Directive, Iceland informed that fifteen breeding species naturally occurring in Iceland are listed in Annex I (subject to special conservation measures concerning their habitats). In addition to those, there are 41 regularly occurring migratory species in Iceland not listed in Annex I and therefore also subject to habitat conservation. Iceland already preliminarily identified a few species that could be proposed to be included in Annex I, such as the Harlequin Duck or Barrow Goldeney. Presently 23 bird species not listed in Appendix II-1 are hunted, and Iceland indicated all these might be candidates to be listed in Appendix II-2 as species which may be hunted. Iceland indicated it foresees to identify potential species in 2011. No special protection areas are identified. Iceland foresees to finalise the identification and designation of special protected areas in 2013-2014. The protection measures in place for bird species, both within and outside these areas, are largely in line with *acquis* requirements according to Iceland, with some exceptions, such as the traditional hunting of adult auks, including puffins, in pocket nets. Legal provisions allow the Minister for Environment to authorise limited hunting of some species.

With regard to Directive 99/22/EC on keeping of **wild animals in zoos**, Iceland informed that a committee appointed by the Minister of Fisheries and Agriculture is currently reviewing the Animal Protection Act, taking into account amongst others Directive 1999/22/EC. It foresees to finalise this review and transpose the Directive by the date of accession.

Provisions of Regulation (EEC) No 3254/1991 prohibiting the use of **leghold traps** and of Decision 97/602/EC are not transposed, but according to Act 64/1994 leghold and other traps are prohibited except for mice, rats, minks and juvenile foxes. The Environment Agency has the authority to grant temporary exemptions. Iceland does not have in place a ban prohibiting the import of pelts and goods from countries other than those listed in the Annex to Decision 98/596 EC.⁷ A monitoring and enforcement system to this end is in place.

Iceland has not implemented Regulation (EC) No 338/97 on protecting species of wild fauna and flora by regulating **trade** therein (**CITES**), but has ratified and implements the CITES Convention. Iceland informed that with its ratification in 2000 it made reservations in accordance with the Convention with respect to the listing of fifteen species of cetaceans, and further reservations for three shark species in 2003 and 2005. Iceland noted that the reservations are based on information on the abundance of the different species.

Iceland informed that Directive 83/129/EEC concerning importation of skins of certain **seal pups** and products derived thereof and Regulation (EC) No 1007/2009 on **trade in seal products** are not transposed. Iceland allows all trade in seal products without any restriction on the grounds that products from marine mammals are treated as any other seafood products according to the principle of sustainable utilisation of living marine resources. Iceland pointed to its cultural and regional significance and claimed that a ban was in contravention of the principle of free movement of goods.

⁷ Iceland prohibits the import of pelts and goods, unless disinfected. Iceland has in place a system to ensure that all animal pelts and goods which are imported are disinfected. This set-up could be used for implementation of the Regulation.

As regards **forestry**, Iceland foresees no problems in implementing Regulation (EC) No 2173/2005 on the establishment of a FLEGT licensing scheme for imports of timber into the EU, and EU timber Regulation (EU) No 995/2010, as of accession. Regulation (EC) 1737/2006 on monitoring of forests is not implemented. Iceland stated that due to the lack of forests in Iceland, it has not been deemed necessary to create a national forest programme, a centralised system for the collection of forestry data or a systematic monitoring scheme of forest conditions.

II.f. Industrial pollution and risk management

This area is almost fully covered by the EEA Agreement. Directive 2008/1/EC on **Integrated Pollution Prevention and Control (IPPC)**, as amended by Directive 2009/31/EC, has been transposed into Icelandic legislation and is being implemented. Iceland has identified all relevant installations mentioned in Annex I and they have been issued operating permits. The Environment Agency is the competent authority for implementation. Iceland stated it implements Best Available Techniques and ensures regular monitoring and inspection.

Iceland has not transposed Directive 2001/80/EC on **Large Combustion Plants (LCP)**. This Directive was incorporated into the EEA Agreement, but as Iceland has no such combustion plants an adaptation was granted stating that it will comply with the Directive if and when it puts into operation such plants. Iceland does not foresee problems in transposing by the date of accession.

Directive 2000/76/EC on the **incineration of waste** has been transposed, with adaptations for certain incineration and co-incineration plants.⁸ There are six incineration plants (four of these are defined as existing plants and two as new incineration plants) and one co-incineration plant. The Environment Agency is the competent authority that issues permits which are in line with the requirements of the Directive. According to Iceland, its emission limit values for water discharges are in line with the Directive, while its air emission limit values for water discharges are transposed with some adaptations.⁹ This adaptation period is still in place for the four existing plants. Iceland indicated it will align fully by the date of accession.

Iceland informed that Directive 1999/13/EC on **VOC solvents** have been transposed by Regulation 255/2002 with its amendments, whereas transposition of Directive 2008/112/EC is foreseen for 2011. All installations falling under the scope of this Directive have been identified and granted permits by the competent authority, the Environment Agency or local health inspectorates.

Iceland stated that it foresees no problems in transposing by the date of accession the **Industrial Emissions Directive** 2010/75/EU, which entered into force in January 2011 and will replace the above Directives.

Iceland informed that Regulation EC/66/2010 on the **EU Ecolabel** has not been transposed, whereas it has transposed and implements the older version Regulation EC/1980/2000, with the Environment Agency as competent authority. The same situation applies to Regulation EC/1221/2009 on **Community eco-management and audit system (EMAS)**: Iceland has not

⁸ See Annex to Decision of the EEA Joint Committee No 57/2003.

⁹ For the release of air from incineration and co-incineration plants, seven existing incineration plants in Iceland were given an adaptation period (see Annex XX, Decision 57/2003). Four of these plants are still in operation. Measurements of the following substances shall be made annually for NO_x, CO₂, total dust, TOC, HC1, HF, SO₂ and heavy metals. Dioxins and furans shall be measured only once during the adaptation period.

transposed this Regulation and is analysing this new Regulation with a view to transposition. Iceland stated that it will implement both Regulations upon accession.

Iceland informed that it has transposed Regulation EC/166/2006 establishing a **European Pollutant Release and Transfer Register (EPRTR)**. The **Seveso II Directive (96/82/EC)** is also transposed. The competent authority is the Administration of Occupational Safety and Health, which has in place a notification system. All operators of establishments are required to have a major-accident prevention policy in place.

II.g. Chemicals

This sector is for the most part EEA relevant. Icelandic regulation in the field of classification, labelling and packaging is aligned with the **Dangerous substances Directive 67/548/EEC** as well as Directive 1999/45/EC on **classification, labelling and packaging of preparations**. Iceland informed that it is currently working on the transposition of the **Classification, Labelling and Packaging of substances and mixtures (CLP) Regulation (EC) No 1272/2008**, which amends and repeals the aforementioned Directives. Amendments to Act no. 45/2008 on chemicals and preparations will provide the legal basis for transposition and implementation. Iceland foresees transposition to be achieved in 2011, also as regards Directive 2008/112/EC amending Directives 76/768/EEC, 88/378/EEC, 1999/13/EC, 2000/53/EC, 2002/96/EC and 2004/42 in order to adapt them to Regulation (EC) No 1272/2008 which will be transposed along with Regulation (EC) No 1272/2008 itself in 2011. The Environment Agency will be designated as the competent authority for implementation, whereas it and the local health inspection authorities will be responsible for enforcement. Iceland has in place a helpdesk for CLP and information about the new legislation and duties of stakeholders are available on its website. The Toxicity Emergency Centre of the National University Hospital is the responsible body for receiving information in particular for emergency health responses.

As regards Regulation (EC) No 1907/2006 concerning the **Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)**, Iceland informed that it has transposed this regulation as well as a limited number of its amendments and implementing legislation, in pace with their incorporation into the EEA Agreement. In line with the requirements of the regulation, Iceland has set up a national helpdesk to answer questions from Icelandic manufacturers, importers and downstream users. The Environment Agency is the competent authority for implementation of the REACH Regulation in Iceland. As regards inspection and enforcement, local health authorities carry out inspections of substances on the market and of producers holding operating permits issued by these authorities. The Environment Agency carries out inspections of large producers and companies it issued permits to. As to penalties for non-compliance with the REACH regulation, Iceland has in place a 'catch-all' provision that can be used for all violations of requirements. Iceland is represented in the FORUM for enforcement and Help-Net national help-desks group and in the Member State Committee. Iceland has not yet nominated members for the Risk Assessment Committee or the SEAC committee. Iceland stated that it does not have the in-house capacity to evaluate substances on the Community rolling action plan or to prepare and submit dossiers for identification of substances of very high concern and foresee that they will rely on external experts for assistance. Iceland indicated that the administrative capacity amongst others to prepare in the REACH Committee for the comitology procedure needs strengthening.

Iceland informed that the transposition into national legislation of the **Animal Experiments Directive 86/609/EEC**, as amended by Directive 2003/65/EC, is complete. Iceland foresees transposition of the new Directive 2010/63/EU on the **protection of animals used for scientific**

purposes for 2011. The Committee on animal experiments in Iceland is the competent authority.

The **biocides** Directive 98/8/EC has been transposed to a large extent through Regulation 1101/2004. Preparation for transposition of some amendments, mostly regarding updates of Annex I of the Directive, is ongoing. Decision 2010/296/EU on the establishment of a Register for biocidal products has not yet been transposed. The Environment Agency is the competent authority. Provisions regarding, amongst others, applications for an authorisation and registration procedure and for a procedure for mutual recognition of biocidal products, are in place and in line with the Directive. The Environment Agency has been designated as the competent authority for the implementation of Regulation EC/850/2004 on **Persistent Organic Pollutants (POPs)**, which is transposed.

With regard to Regulation EC/689/2008 on **export and import of dangerous chemicals**, Iceland is not yet a Party to the Rotterdam Convention on the Prior Informed Consent Procedures for certain Hazardous Chemicals and Pesticides in international trade. Iceland considers the Convention not relevant as it does not export any dangerous chemicals. Iceland does not foresee problems in ratification. The Environment Agency will most likely be designated as the competent authority. This Agency already is the contact point for the Rotterdam Convention and receives notifications of import of substances subject to the Convention.

Iceland explained that Regulation EC/1102/2008 on mercury is not transposed as it was not relevant for Iceland since it concerns the export of metallic mercury and certain mercury compounds, of which there are no direct sources in Iceland and therefore no export. Iceland indicated that it will implement this Regulation upon accession.

II.h. Noise

This area is fully covered by the EEA Agreement. Iceland indicated that Directive 2002/49/EC relating to the assessment and management of environmental noise has been transposed. The Environment Agency is responsible for enforcement, whereas municipalities are in charge of noise mapping and action plans for agglomerations. Iceland informed that it plans to finalise the ongoing work on strategic noise maps and action plans by mid-2012 and mid-2013 respectively, in accordance with Articles 7(2) and 8(2) of the Directive.

II.i. Civil protection

This sector is fully covered by the EEA Agreement. Iceland has participated from its inception in the EU Civil Protection Mechanism, established by Decision 2007/779/EC (recast). Iceland has also participated fully in the civil protection financial instrument, established by Council Decision 2007/162/EC. The Minister of Interior is the ultimate authority in matters of civil protection. The National Commissioner of Police handles civil protection matters. Within the office of the National Commissioner of Police, the Department of Civil Protection and Emergency Management is responsible for daily administration of civil protection mechanisms. A national coordination and command center is operated in Reykjavik by the National Commissioner of Police and activated when necessary. Operational command at local level is in the hands of the police commissioner in the fifteen police districts. Iceland has an emergency call (112) system in place.

The Department of Civil Protection and Emergency Management works with the 22 local Civil Protection Committees in order to assess preparedness and capability in each civil protection district. Generic plans are in place for various hazards regardless of location of likelihood, but

also specific plans for highly likely events, such as avalanches, earthquakes or volcanic eruptions. The Meteorological Office with its 131 staff researches and monitors avalanches, icebergs and earthquakes.

CLIMATE CHANGE

The MoE is the central authority in climate affairs in Iceland. The Ministry is responsible for the implementation of the UN Framework Convention on Climate Change (UNFCCC), the Montreal Protocol and for the coordinated national climate change policymaking in close cooperation with the Ministry of Agriculture and Fisheries, the Ministry of Industry, the Ministry of the Interior, the Ministry of Finance, the Ministry of Foreign Affairs and the Prime Minister's Office. Several public institutions and public enterprises, operating under the auspices of these ministries, also participate, directly or indirectly, in preparing and implementing the national climate policy.

Iceland informed that an inter-ministerial committee, led by the MoE, is responsible for the formulation and implementation of climate change policy. This committee, which includes amongst others a representative of the municipalities and consults with business sectors and civil society, reports yearly on progress in implementing the Implementation Plan for mitigation of greenhouse gas emissions from November 2010. The Environment Agency, together with the MoE, has the main responsibility for monitoring and implementing climate change measures. This Plan is based on the 2007 Climate Change Strategy, in which the Icelandic Government sets out a long-term vision for the reduction of net emissions of greenhouse gases by 50-75% until the year 2050, using 1990 emissions levels as a baseline. This long-term target is set as an aspirational goal, which will require systematic measures over the next few decades in order to reduce net GHG emissions.

Iceland ratified the UNFCCC in June 1993 and the Kyoto Protocol (KP) in May 2002 committing itself to keep the increase of greenhouse gas (GHG) emissions within 10% compared to 1990. Iceland is party to the Montreal Protocol and has ratified all the amendments to the Protocol. Iceland stated that it fulfils its reporting obligation under the UNFCCC and the KP. In January 2007 it submitted its initial report under the KP, which was positively reviewed under the UNFCCC process in June of that year. Iceland also annually submits its GHG inventory. Iceland provided its 5th National Communication to the UNFCCC in 2010.¹⁰ Iceland's GHG emissions increased by 44% between 1990 and 2008 and were 9% higher in 2008 than in 2007. The main reason for this increase is the expansion of heavy industry in Iceland, mainly in the field of aluminium production. However, post-1990 heavy industry emissions are for the most part exempt from the scope of the KP target under the decision 14/CP.7¹¹. Iceland is on track to meet its Kyoto target, according to the latest projections included in the 5th National Communication and taking into account decision 14/CP.7.

Iceland's pledge for the post-2012 climate regime is at the level of -30% in comparison to 1990 in joint effort with the European Union. Iceland stated that this pledge requires that it can use the provisions of Article 4 of the KP or a similar arrangement and agreement with the European Union.

¹⁰ The report was delivered with a slight delay against the deadline of 1 January 2010. These reports are available on the UNFCCC website.

¹¹ This decision is relevant for 'large projects within small economies', such as Iceland. The heavy industry emissions are estimated at 1.6 Mt a year in 2008-12.

EU climate *acquis*

EU climate *acquis* is partly EEA covered, due in part to the newness of the legislation. Work is ongoing to incorporate further climate legislation into the EEA, but legislation in this sector is developing at such a rate that incorporation into the EEA can result in delays. Iceland assesses it needs strengthening of its administrative capacity for climate change issues.

Decision 280/2004/EC concerning a mechanism for monitoring Community greenhouse gas emissions and for implementing the Kyoto Protocol has not been fully implemented yet but Iceland stated that it is on its way to be able to fully comply with its requirements. However, some adjustments will be needed, especially in regard to timing of data compilation for both GHG inventory and GHG projections. A national system has been set up detailing the legal, institutional and procedural arrangements established for the continued compilation of Iceland's GHG inventory. Iceland has also set up a national registry. The Environment Agency is responsible for the compilation of both the GHG inventory and GHG projections data. Last projections have been prepared in 2008 for the 5th National Communication under the UNFCCC.

Iceland indicated that Directive 2003/87/EC on **greenhouse gas emission allowance trading** (EU Emissions Trading System or EU ETS) has been partially transposed by Act 65/2007 on Greenhouse Gas Emissions. Iceland has been taking part in the EU ETS since 2008. Iceland is preparing a bill to transpose the remaining provisions of the ETS Directive 2003/87/EC, Directive 2008/101/EC on **including aviation activities in the EU ETS** and part of Directive 2009/29/EC on **improving and extending the EU ETS**. Transposition through adoption of this bill is planned for 2011, whereas full transposition is foreseen for 2012.

Iceland informed that no relevant installations for the second trading period of the EU ETS were identified, and that Iceland is therefore exempt from the requirement to draft and submit a National Allocation Plan. The Environment Agency is the competent authority and is responsible for the greenhouse gas registry, accounting for the Icelandic allowances under the KP, supervision of industry allowances, monitoring of emissions and preparing, in cooperation with the MoE, for the implementation of the EU ETS. Iceland informed that in the legislation planned to complete transposition, the same institutional set-up should remain in place for the third trading period under the EU ETS starting in 2013. Iceland expects to be able to fulfil its obligations as regards emissions for the second trading period (2008-2012). As to verification of emissions, Iceland explained that as no relevant installations for the second trading period of the EU ETS were identified and that installations falling under the scope of Directive 2009/29/EC do not require verification under the EU ETS yet, Iceland has not adopted provisions to implement verification requirements at this stage.¹² Iceland stated that it plans to put these in place together with the transposition of Directives on inclusion of aviation activities in the EU ETS and on improvement and extension of the EU ETS. Iceland has already identified which installations will potentially fall under the third trading period.

Iceland declared its intention to join the common auction platform and the single auction monitor, when possible, but at this stage it is legally impossible for the EFTA states to participate in the joint procurement procedures. Iceland informed that it is analysing the **Auctioning Regulation (EU) No 1031/2010** in cooperation with the Ministries of Finance and of Economic Affairs. Iceland also informed that it has put together a preliminary list of installations entitled to the allocation of free allowances. It foresees to join the Community

¹² The fact that emissions are not verified according to the relevant requirements set out in Directive 2003/87/EC as no installations fall under its scope, does not mean that emissions are not verified: the Environment Agency e.g. has emission reports verified by specially enlisted auditors.

Independent Transaction Log (CITL) in conjunction with the entry into force of Directive 2008/101/EC.

Iceland stated that it has not yet transposed Directive 2008/101/EC on **including aviation activities in the EU ETS**, but is taking part in preparations on a voluntary basis. Iceland received one application under Art 3e(1) of the Directive and the relevant T-km data have been submitted to the Commission via the EFTA Surveillance Authority. In the draft law for transposition of Directive 2008/101/EC, foreseen to be adopted in 2011, the Environment Agency is designated as the competent authority, responsible for monitoring, reporting and approval. It will also be responsible for calculating the total allocation of allowances and the allocation to each aircraft operator. Iceland expects to have an emission allowance registry in place on 1 January 2012. As regards a system of accreditation of verifiers, the draft law foresees for mutual recognition of accreditation.

As regards the **Effort Sharing Decision (ESD) 406/2009/EC**, Iceland has not yet taken significant steps to implement this Decision, but related policy developments are already taking place. Iceland stated that it therefore will be able to implement this Decision by the date of accession. For implementation of the ESD, Iceland foresees to have in place the same institutional set-up as for other climate change legislation, with the MoE and the Environment Agency responsible. A 2009 expert report presented an analysis of Iceland's mitigation potential, covering all sectors and focusing on goals for 2020. Iceland stated that the Environment Agency, supported by the National Energy Authority and other relevant agencies, has the capacity to provide emission projections. Iceland assessed it has to improve its capacity for short-term monitoring to meet the requirements of the ESD. The inter-ministerial committee for climate change is not specifically tasked to oversee implementation of the ESD, but its work represents a starting point.

Iceland has produced an Action Plan in order to cut net GHG emissions in line with the EU 20-20-20 commitments. The Action Plan is designed as a tool to enable Iceland, inter alia, to meet the goals of the ESD as well as other requirements, and should cut net emissions in ESD sectors by 30% by 2020, compared to 2005. The plan identifies ten key actions, which run from application of EU ETS in relevant sectors, carbon tax, changes in taxes and fees for cars and fuels to biofuels for the fishing fleet, electrification of fish-meal production, increased afforestation and re-vegetation and restoration of drained wetlands. This means that Iceland expects to rely on land use, land-use change and forestry (LULUCF) measures in order to reduce its emissions by 2020. LULUCF is currently not included in the EU's 2020 commitment. Iceland explained that the MoE was also working on transposition of Directive 2009/31/EC on the geological storage of carbon dioxide. Iceland expects to have transposed this Directive in 2011-2012.

Iceland stated that the provisions of Directives 98/70/EEC and 99/32/EC on **quality of petrol and diesel fuels and on the sulphur content of certain liquid fuels** have been transposed. Iceland indicated an adaptation is in place as regards this Directive related to the definition of Iceland as an outermost region and as a country with arctic or severe winter conditions. Directive 2009/30/EC on **specification of fuels** has not yet been transposed. Iceland stated that it will transpose it by the date of accession.

Icelandic assessed that its legislation on **CO2 emissions from new passenger cars** is aligned with the *acquis*. Provisions of Directive 99/94/EC on **availability of consumer information on fuel economy and CO2 emissions in respect of the marketing of new passenger cars** have been transposed by Regulation 260/2003, and amended by Regulation 913/2004. Iceland has not yet transposed Regulation (EC) No 443/2009 on **emission standards for new cars** or

Regulation (EC) 1014/2010 on **monitoring and reporting**, but stated that it will implement these upon accession.

Iceland stated it has transposed the **F-gases** Regulation No (EC) 842/2006 and the subsequent regulations on, amongst others, **leakage requirements, labelling, reporting, mutual recognition** etc. by Law 90/2009 and Regulation 834/2010. The training and certification requirements are in line with the Regulation. Iceland has not transposed Article 6(4) on reporting and has its own reporting system in place, in cooperation with the Customs Authority. Iceland has not transposed Article 6(1) on reporting requirements for companies (producing), importing and/or exporting F-gases in/from Iceland. Iceland informed that it does not produce F-gases and that the import of these is limited to certain permitted uses. All imports are registered by the Custom Authority. Iceland stated that it will implement the remaining articles upon accession.

Regulation (EC) No 2037/2000 on **substances that deplete the ozone layer** (ODS) is transposed. Iceland has not transposed the **Ozone** Regulation (EC) No 1005/2009, but it does not foresee problems for its implementation.

III. ASSESSMENT OF THE DEGREE OF ALIGNMENT AND IMPLEMENTING CAPACITY

Iceland has achieved a satisfactory level of legislative alignment with the *acquis* in the environment chapter, due to its EEA membership. New relevant EU legislation is regularly incorporated into the EEA Agreement and thus applies throughout the EEA. Some parts of the regulatory and policy framework, in particular those still to be included in the EEA Agreement, require transposition and implementation. Iceland has taken concrete steps in all areas within the chapter to prepare for the transposition of the remaining parts of the *acquis*. Iceland plans to complete the legislative alignment by the date of accession. Work still remains to be done mainly in the areas of nature protection, water quality and climate change. During the screening process, Iceland identified a number of issues where it may be seeking to negotiate derogations, adaptations or some kind of transitional arrangements. Final decisions however will be made when defining a negotiating position on this chapter.

The institutions responsible for implementation and enforcement are in place at national and local level. In general an adequate number of staff is in place at national and local level. Iceland should ensure that administrative capacity in the area of climate change is reinforced. Iceland should ensure that adequate financial and administrative resources will be at its disposal and that there is coherence between the resources made available and the timetable for legislative alignment and implementation.

The division of responsibilities for operational aspects of environmental protection between mainly the Mo E and the Environment Agency, plus bodies at central and local level including inspection activities, should allow for effective implementation, monitoring, enforcement and reporting in this chapter.

ENVIRONMENT

III.a. Horizontal legislation

Icelandic legislation in this area, which is largely covered by the EEA Agreement, is to a large extent in line with the *acquis*. Iceland has taken concrete steps to prepare for the transposition of the remaining *acquis*, especially to set up an effective system of remedies to ensure protection of rights linked to public participation. Iceland implements parts of legislation in this sector, notably as regards environmental impact assessment, public access to environmental information, public participation and access to justice in the decision making process.

Iceland still needs to transpose fully the Environmental Liability Directive 2004/35/EC, notably to extend its scope as regards 'damage to the protected species and habitats', and also needs to transpose fully the Environmental Crime Directive 2008/99/EC. Full alignment of these two Directives is linked to the transposition of the EU Birds and Habitats Directives.

With regard to the Reporting Directive, Iceland needs to further develop its capacity in collection and processing of data. Iceland will also need to ensure, for all interested bodies, an access to the data base and to establish an effective system of information/data sharing between governmental institutions and the Icelandic Environment Agency.

III.b. Air quality

Iceland has almost fully aligned with the *acquis* in this sector, which is almost fully EEA covered. Iceland has in place stricter emission limit values than foreseen in the four 'daughter' Directives on air quality. Iceland needs to transpose the new ambient air quality framework Directive and become a party to the Gothenburg Protocol; preparations for both are well advanced. Iceland is well advanced in the implementation of the *acquis* in this sector.

III.c. Waste management

Iceland is well advanced in the transposition and implementation of the *acquis* in the area of waste management, which is almost fully incorporated into the EEA Agreement. The Waste Management Plan to be published in 2011 needs to provide a good framework for further steps in the transposition and implementation of the *acquis*, notably the new Waste Framework Directive.

III.d. Water quality

Iceland has not yet achieved full alignment in this sector. The sector is only partly EEA covered and stages of alignment and implementation vary. Iceland has transposed and is implementing the Directives on drinking water and on nitrates. Iceland needs to ensure that the timetables set out during the screening meetings as regards the Water Framework Directive are observed and the implementation phase launched without delay, as it may otherwise be difficult to achieve a sufficient level of implementation in the medium term. Iceland needs to establish a register of protected areas, prepare a draft river basin management plan and harmonise monitoring requirements in order to advance with the implementation of the Water Framework Directive. Iceland also needs to finalise the designation of sensitive and less sensitive areas as defined in Annex II of the Directive on urban waste water treatment. Furthermore, Iceland has to ensure that bathing waters will be designated and quality standards established according to Directive 2006/7/EC and that the remaining provisions are transposed and implemented. Iceland also needs to undertake concrete steps for the transposition of the remaining *acquis*, notably the Marine Framework Strategy.

III.e. Nature protection

Iceland will have to make a substantial effort to align its legislation with the *acquis* in this area, which is not covered by the EEA Agreement. Iceland will have to transpose the Habitats and the Wild Birds Directives. Iceland allows the hunting of a number of species that are under strict protection under these Directives, including the arctic fox and whales. Iceland will need to identify potential species and habitat types to be added to the Annexes as well as to further map current habitats. Iceland will also have to compile the national list of Sites of Community Importance under the Habitats Directive and to designate Special Protection Areas under the Birds Directive, as well as making up the NATURA 2000 ecological network. In order to do so Iceland will need to start collecting and collating scientific information for possible proposals of amendments to annexes of the Birds and the Habitats Directives. Work will have to be pursued on the management plans for protected areas, as well as to continue on the establishment of a monitoring system of habitats and species as required by the Habitats Directive. It will have to be established whether methods used for hunting grey and harbour seals are in line with the *acquis* requirements of Annex VI.

Iceland will have to implement Regulation (EC) No 338/97 on protecting species of wild fauna and flora by regulating the trade therein. This implies notably that Iceland will have to withdraw its current reservations under the Cites Convention with respect to the listing of fifteen species of cetaceans and three shark species, as those species are included in Regulation (EC) No 338/97.

The directives on wild animals in zoos and seal pups will have to be transposed, whereas provisions of the Regulation and Decision on leghold traps will also need to be reflected in Icelandic legislation in order to ensure that they are in line with the *acquis*. As regards the Regulation on trade in seal products, this Regulation does not provide for any exception based on 'cultural or regional significance' of the products. Therefore, adequate measures will need to be put in place in Iceland so as to ensure its effective enforcement. Iceland should refrain from taking any action in the WTO that may undermine the EU's defence on the Seals Regulation.

III.f. Industrial pollution and risk management

Iceland is well advanced in alignment with and implementation of the *acquis* in this area, which is almost fully covered by the EEA Agreement. Iceland is well prepared for the transposition and implementation of the remaining *acquis*.

III.g. Chemicals

Iceland is almost fully aligned with the *acquis* in this sector, which is for the most part EEA relevant. It will have to finalise the transposition of the biocides Directive and REACH amendments, implement the mercury Regulation and become a party to the Rotterdam Convention to complete alignment. For implementation of REACH, administrative capacity needs to be strengthened.

III.h. Noise

Iceland is fully aligned with the *acquis* in this area, which is fully EEA relevant. Iceland should step up efforts in identifying areas for which it would be necessary to prepare strategic noise maps and action plans and provide a timetable for when maps and plans would be finalised.

III.i. Civil Protection

Iceland is fully in line in this sector, which is fully covered by the EEA Agreement, as it has participated from its inception in the EU Civil Protection Mechanism, and also in the civil protection financial instrument.

CLIMATE CHANGE

Iceland has partially transposed *acquis* in this sector, which is partly EEA covered. Iceland will have to finalise its policy planning and legislative alignment, as well as to take steps to ensure implementation of its international climate commitments and EU climate change *acquis*, in particular for the EU ETS aviation, including the putting into place of an emission allowance registry planned for 1 January 2012, the EU Effort Sharing Decision, geological storage, fuel quality and emission standards for new cars. Preparations for transposition and implementation of this remaining part of *acquis* are underway, and will require strengthening of administrative capacity.