

Very short national report May 2026

Recent developments in Icelandic environmental law and practice 2025–2026

1. Climate litigation

No climate litigation has yet taken place in Iceland.

However, the EFTA Court Case E-18/24, the Norwegian State and Greenpeace Nordic and Nature and Youth Norway delivered an interesting judgement, inter alia, concerning the interpretation of “effect” of project under Article 3(1) of the EIA-Directive (2011/92/EU, cf. 2014/52/EU). The case related to the scope of the environmental impact assessment and the validity of three decisions by the Norwegian Ministry of Energy granting consent to the development and operation of three petroleum and natural gas extraction in the North Sea. The impact assessment carried out had not assessed the climate impact of the GHG stemming from combustion of the petroleum and natural gas extracted from the project but sold to third parties. As Article 3(1)(c) of the EIA-Directive contains factors to be taken into account, such as the direct and indirect effects of a project on air and climate, etc., the assessment that the EIA-Directive was designed to enable was not only the impact of the works envisaged but also, and above all, the impact of the project to be carried out. The Court arrived at the conclusion that GHG emissions released from the combustion of petroleum and natural gas extracted as part of Annex I point 14 project and then sold to third parties, constituted “effects” of that project.

2. New Icelandic legislation in the field environment

Act No 86/2025 on the Conservation and Sustainable Use of Biological Diversity of the Ocean outside Jurisdiction of States was accepted by Alþingi in December 2025 with entry into force 17 January 2026. The Act incorporates the Agreement under the United Nations Convention on the Law of the Sea on the Conservation and Sustainable Use of Marine Biological Diversity of Areas beyond National Jurisdiction (BBNJ-Agreement 19 June 2023, entry into force 17 January 2026). Act No 86/2025 provides a legal framework relating to the collection and use of genetic

resources, environmental impact assessment and licencing taking place in Iceland, and control of activities. The Ministry of Foreign Affairs is responsible for the Act.

3. Changes and adjustments

Changes and adjustments were made to several Acts, in many cases to incorporate EEA Agreement obligations. An example is reflected in Act No 19/2026, amending Act No 33/2004 on the Protection of the Ocean and Beaches against Pollution, and implementing Directive 2019/883 on port reception facilities for the delivery of waste from ships, and Directive 2005/35/EC on ship-source pollution and on the introduction of penalties for infringements. Another example relates to Act No 106/2025 amending Act No 96/2023 on the ETS-system and Act No 7/1998 on Hygiene and Protection Against Pollution. The changes mainly concern a duty to produce climate-neutrality plans and the possibility to escape the duty to surrender allowances when emissions are captured and stored or being part of products. As outlined in the explanatory notes, the reasons for the changes have to do with Directive 2023/959 amending Directive 2003/87/EC, however, it is also stated that the Act is not implementing a ETS II system for buildings, road transportation or additional sectors.

4. Problems relating to the implementation of Water Framework Directive

The Water framework Directive 2000/60/EC (WFD) was incorporated into the EEA Agreement in 2007 (EEA Joint Committee Decision No 125/2007 entry into force 1 May 2009) with time adjustments (i.e. everything is measured from 1 May 2009) and transposed into the Icelandic legal system with Act No 36/2011 on the Control of Water Issues. The River Basin Management Plan (Iceland is one district), Programme of Measure and Programme for Monitoring were not accepted and made public until April 2022 (plans for 2022 until 2027) but should have been available 1 May 2018 (first water cycle in Iceland was 2018–2024).

In addition, the content of the plans and programmes is not meeting WFD's standards. As outlined in 2025 ESA Report, the lack of classification of ecological or chemical status and quantitative status of groundwater represents a major implementation gap.

This has caused practical problems when it comes to licensing water-related projects or developments affecting water and has led to the annulment of licensing decisions by the Administrative Appeals Board (ÚUA), including authorizations for hydropower plants.

Moreover, one case concerning water abstraction is now awaiting before the District Court of Reykjavík, which case relates to the lack of information on the status of relevant groundwater body before the licensing took place. A part of the proceedings was to ask the EFTA Court for an advisory opinion, cf. Case E-7/25 (Benchmark). The Court was clear on the issue that

authorization for a project before a classification and status assessment of a water body took place was precluded. However, the Court also stated that the status assessment for a project could take place as part of the environmental assessment of the project prior to granting an authorization.

In addition, in ESA's own initiative case open in 2025 (still open), the transposition of Article 11 WFD on the Programme of Measures into the Icelandic legal system was considered to be flawed, including the part relating to revision of licenses for projects causing significant adverse impacts on the status of water, mainly Article 11(3)(e) and (i) and revisions under Article 11(5).

Flaws relating to the transposition of Article 4(7) WFD into Article 18 of the Act No 36/2011 led the Supreme Court of Iceland, Case 11/2025 9 July 2025 to annule the hydropower-plant license for the Hvammsvirkjun Hydropower Plant (95 MW) on the grounds that Article 18 was not applicable to individual projects. After Article 18 had been changed by Alþingi, the license for Hvammsvirkjun was reissued in December 2025. The issuing of the new licence is now being challenged before the District Court of Reykjavík on the grounds that the requirements of Article 18 not being fulfilled (basically WFD Article 4(7)(c)).

Act No 36/2011 is currently under revision and the first draft, which was made available in December 2025, received mixed acceptance, particularly from the energy utilization companies. The revision continues.