

Norway's coalition government breaks down amid dispute over energy policy

Jordan Shilton**19 February 2025**

Norway's Labour Party-Centre Party coalition government broke up late last month over differences on the further integration of the country's energy policy with the European Union (EU). Amid a rapid spike in home energy bills in parts of the country, driven by Norway's role as a major energy exporter to Europe and increased demand across the continent, the rural-based Centre Party (SP) left the government and is campaigning for Oslo to take back more control over energy policy.

Labour Party (AP) leader and Prime Minister Jonas Gahr Støre headed the coalition with the SP since the AP's 2021 election victory. Since elections cannot be held early under Norway's constitution, Støre will continue to serve as head of a minority Labour government until September, the first single-party government in Norway in 25 years. He recruited former NATO Secretary General Jens Stoltenberg, who served twice as Prime Minister in AP-led governments between 2000 and 2013, to be finance minister.

The breakup of the coalition government followed on the heels of sharp energy price spikes late last year, especially in the country's south. These shocks, which saw energy production costs rise as high as 13 kroner (€1.1) per kilowatt-hour, have their roots in Norway's energy deregulation during the early 1990s and were fuelled by the country's close integration into Europe-wide energy markets. The price rises produced mounting popular disaffection with the government, which has focused on massive defence spending increases as it oversees the transformation of Norway into a key staging ground for US-NATO aggressive military operations against Russia.

While no expense will be spared on equipping Norway to serve as a junior partner of the imperialist powers in their wars of plunder, broad sections of the population confront high energy prices and a rising cost of living.

The immediate issue that led to the coalition's breakdown was a proposal by Labour to adopt directives under the EU's fourth energy package, which was finalised in 2019. Norway is not an EU member, but as a member of the European Economic Area (EEA), which grants free trade access to EU

markets for Iceland, Liechtenstein, and Norway, Oslo is obliged to enact many EU legal provisions into national law. The SP denounced the government for giving up Norwegian control over energy policy and insists that Oslo should refuse to approve the directives.

The nationalist critics used the legal directives as a pretext, since they relate to renewable energy targets and building regulations for energy efficiency with which Norway already largely complies. They argue that connecting Norway's power grid with Germany and Britain by undersea cables has sharply increased prices, and that this trend will accelerate if the EU's control over energy policy expands and market-based energy prices continue to apply. Calls have been made for cables with Denmark and Britain to be cut in order to guarantee affordable prices in Norway.

While energy deregulation and Norway's integration into a Europe-wide corporatised energy market have undoubtedly opened up Norwegian households to higher energy bills, the nationalist arguments ignore the fact that energy prices across the continent have also skyrocketed due to the imperialist-backed war on Russia. The sharp reduction of natural gas imports by the European powers from Russia has driven up prices across the continent, forcing a turn to more expensive imports, including from the US. Continent-wide demand has also spiked for Norway's considerable energy resources, including its natural gas and hydro power that generates most electricity for households. To cite just one example, electricity prices for German households in the second half of 2023 were 20 percent higher and gas prices 22 percent higher compared to a year earlier.

The correct response to this development is not national isolationism, but a turn by Norwegian workers to their class allies across Europe, whose living standards are also declining under conditions of war and capitalist crisis. An international movement in opposition to the imposition of the cost of militarism and war on the backs of the working class in all countries must be based on a socialist programme.

Politically, the whipping up of nationalist sentiment

towards the EU over the energy question by the SP plays into the hands of the far-right Progress Party (FRP) and right-wing Conservatives (Høyre), who could establish a government after September's election. The AP is currently at third place in the polls, behind the Conservatives and the FRP, who governed together between 2013 and 2020, the first time that the far-right party served in a Norwegian government.

The fact that the Conservatives and far-right FRP can benefit from the energy-price spike is above all due to the AP's right-wing record. Under Stoltenberg's leadership, the party embraced the right-wing, anti-immigrant chauvinism pioneered by the FRP, and Støre's government has continued where its right-wing predecessor left off on strict public spending controls, while making available substantially more for the military. Støre has sought to win back some popular support with a proposal to cap household energy prices at 0.4 kroner per kilowatt-hour, but this is only scheduled to take effect on 1 October, i.e., after parliamentary elections in September.

Norway is a country with considerable wealth, with its Government Pension Fund Global (GPFG), better known as the oil fund, worth an estimated \$1.7 billion. It holds approximately 1.5 percent of all shares of listed companies in the world, giving the Norwegian ruling class significantly more clout in the financial markets than the country's population of 5.3 million would suggest.

But the use of the fund is strictly regulated to ensure public spending austerity and stable profit-making conditions for big business. The government can only use a maximum of 3 percent of the fund's total value in each year's budget, a figure set under the Conservative-FRP government in 2017. This framework, continued by the current AP government, has produced growing social inequality and increasingly stretched public services. A report by Norway's Central Statistics Bureau (SSB) in September 2024 revealed that income inequality grew between 2016 and 2022 by 5 percent. The Gini coefficient, an internationally recognised scale for measuring levels of social inequality in society, with 0 representing absolute equality and 1 representing absolute inequality, rose from 0.358 to 0.375 when income from wages and capital investments were included.

All parties in parliament, from the far-right FRP to the Socialist Left and ex-Maoist Red Party, agree that Oslo must massively expand its military spending. Last April, the parliament (Stortinget) unanimously passed a 12-year defence spending plan that includes an additional 600 billion kroner (€51 billion) in spending, which will see the defence budget almost double in real terms by 2036. Underscoring the unanimity within the political establishment on ensuring Norway is a frontline state in the imperialist powers' war to

subjugate Russia to the status of a semi-colony, the introduction to the long-term defence agreement prepared by the Standing Committee on Foreign Affairs and Defence declared, "The committee, members of the Labour, Conservative, Centre, Progress, Socialist Left, Red, Liberal, and Christian Democratic parties, considers that Norway needs a credible and deterrent military defense at a time characterized by a security policy gravity we have not experienced in a very long time."

The Green Party, the ninth party in parliament, also supports the agreement but was not represented on the committee.

Norway was a founding member of NATO and a firm US ally, but sought throughout the Cold War to play a less provocative role, for example by refusing to allow foreign troops to deploy on its territory. All of this has now changed. Major military exercises involving thousands of NATO troops are a regular occurrence, especially in the country's north, where cross-border operations with Sweden and Finland aimed at Russia take place often. In early 2024, Norway transformed its biennial "Cold Response" NATO exercise into "Nordic Response." Taking advantage of Sweden and Finland's recent NATO membership, "Nordic Response" involved 20,000 soldiers, and hundreds of ships and aircraft from the aggressive military alliance.

The 12-year defence package includes the purchasing of a fleet of at least five frigates and five submarines, accompanied by anti-submarine helicopters. The modernisation of the navy is seen as crucial by the military leadership and Oslo's NATO allies, who expect Norway to expand its presence in the North Atlantic and on its Arctic coast to target Russia. With the Baltic Sea virtually controlled on all sides by NATO member states and access to the Mediterranean blocked by Turkey's closure of the Bosphorus to warships following the US-provoked Russian invasion of Ukraine, Moscow's northern route along the Norwegian coast and into the Atlantic Ocean is one of the few remaining free passages to the open sea it enjoys.



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