



Data centers in Norway - updated national strategy provides new business opportunities



Thorstein Vale Opdal
Lead Lawyer



Ola Nordvang Rundfloen
Partner



Magnus Løvlien Lutnæs
Partner, Head of Real Estate
(Norway)

With its cold climate, easily accessible renewable energy, competitive prices on electricity, a modern digital infrastructure and active support from the government, Norway – ranked as the world’s most resilient country – is increasingly seen as a favorable location for international data center projects.

In Europe, Norway has fundamental advantages in terms of investment opportunities in data centers and attracts global interest. One example is [Azrieli Group’s acquisition of Green Mountain Data Centers](#), where DLA Piper assisted Azrieli Group. Market players are expecting a rapid expansion in the Norwegian data center sector over the next few years, and new opportunities are already appearing on the market.

Anyone looking at opportunities in the data center market in Europe may expect strong forecasted growth and a rapid expansion over the coming years if they look to Norway. The country has a strong position in capturing new European demand for data center capacity, and any development will be fueled by cost efficiency and accessible, green and renewable energy.

Introduction

As mentioned in our 2015 Real Estate Gazette article “High tech real estate – the future looks bright for data centres in Norway,” Norway has very favorable climate conditions for environmental cooling, abundant clean power resources, a good electricity grid and fiber infrastructure, large available land areas and a competent workforce in both the real estate and IT sectors. In 2015, however, Norway's tax position on energy consumption was an obstacle for large-scale data center activities compared to neighboring jurisdictions such as Sweden, Denmark and Finland.

Since 2015 the legal, political and economic framework for data center activity in Norway changed in a positive direction for both developers and potential investors. As we begin 2022, Norway is positioned to capture a disproportionately large share of future growth in hyperscale cloud facilities, high performance computing and enterprise data centers.

Low total cost of ownership

One of the main fundamental advantages of investing in Norwegian data center projects today is the low total cost of ownership. Compared to other European markets, rental costs, availability of land, cooling costs and the cost of powering racks in Norwegian data centers are considered very competitive.

With its supply of hydropower, Norway has a long tradition of granting favorable tax rates on energy consumption to energy intensive industries. Aluminum production was an early example. Data centers were not included in the tax regime with lower tax rates for certain energy intensive industries in its early days. But since 2017, data centers in Norway have been considered an energy intensive industry for tax purposes, meaning that favorable tax rates now apply on data centers' energy consumption. This change has brought Norway to the forefront when it comes to total cost of ownership, with some of Europe's lowest energy prices on data centers' energy consumption.

Norway generally offers good power usage effectiveness (PUE) in its data centers. PUE is a metric used to determine the energy efficiency of a data center. It is calculated by dividing the total amount of power entering a data center to be used on cooling and supporting the facility as a whole, by the amount of power used by the computing equipment itself, with the ideal number being as close to 1.0 as possible.

One of the main reasons for Norway's good PUE scores is Norway's cool climate, which enables superior efficiency because of the automatic and free cooling from the surroundings. The high number of days with low temperatures allows for better PUE than sites in warmer climates. Data centers in Norway also make use of cold seawater from neighboring fjords for cooling.

Green and renewable power

Norwegian electricity production comes almost exclusively from green and renewable sources, and predominantly from hydropower. Hydropower is considered to be the cheapest source of renewable energy, and accounts for approximately 90% of Norwegian electricity production. Norway's production of renewable energy already exceeds consumption, and Norway has for a long time been a net exporter of renewable energy. In 2020, 98% of the power consumption in Norway came from renewable energy sources, the highest rate in Europe.

Market leaders in the data center community focus on the origin of the power and on environmental, social and corporate governance (ESG) in general. Norway is regularly ranked as one of the world's most sustainable countries in terms of ESG compliance. With its easy access to green and renewable power in an ever more environmentally focused market, Norway has a competitive advantage.

What's next?

In 2018, the Norwegian government launched the strategy document "Norway as a data center nation." The strategy document included suggestions such as favorable property tax on sites, additional funding to further strengthen fiber connectivity to other countries, new and simplified legal framework for fiber cable digging on public land, and additional funding for higher education in the IT sector.

The 2018 strategy document was seen as a success, and in August 2021 the Norwegian government launched a new strategy, signed by five different ministers, to invite international parties to establish data centers in Norway. Through the strategy document the government expressed the intention to:

- focus on how Norway can help foreign companies establish themselves with data centers;
- increase competitiveness by insuring continued stable framework conditions for the industry;
- facilitate sustainable development by introducing requirements regarding the use of surplus/waste heat and creating a national heat map for better usage of surplus/waste heat;
- increase the efficiency of development and permits;
- increase the cooperation between the industry and educational institutions; and
- reinforce digitalization.

As part of the 2021 strategy, and to underline the attractiveness of Norway for data centers, the government has also issued guides on how to establish a data center in Norway. The information material states directly that the Norwegian government wants even more businesses to choose Norway as the location for their data center, and that the government is committed to making the process of establishing a data center in Norway as smooth as possible.

After elections in September 2021, Norway now has a new government. The new government has not expressed any intention to deviate from the strategy that was launched before the election. DLA Piper continues to monitor the signals from the new government in relation to the data center industry.

For further information, please contact Magnus Løvlien Lutnæs, Partner and Head of Real Estate, DLA Piper Norway, T: [+47 41 91 65 61](tel:+4741916561), E: magnus.lutnas@dlapiper.com.

Services Fast eiendom

Sectors Real Estate
