

Strategy for the **involvement of Norwegian industry** in the procurement of new frigates



Norwegian Ministry of Defence

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Strategy for the involvement of Norwegian industry in the procurement of new frigates

The Norwegian government has resolved to procure new frigates to strengthen the Navy's operational capability and ensure Norway's maritime defence capability in the coming decades. This procurement represents the largest single investment in the defence sector since the procurement of F-35 fighter aircraft. The procurement of frigates will be carried out in collaboration with a strategic partner – preferably one with an ongoing frigate programme – to ensure a high degree of systems similarity and an effective timeline for implementation.

The Norwegian defence industry plays a key role in strengthening national defence capability, security and preparedness. This strategy therefore assumes that the procurement will not only provide Norway with a timely, modern and capable frigate system, but also help to develop and maintain a sustainable and competitive base for Norway's national defence industry.

Balanced against the consideration of systems similarity and the need for efficient execution, the procurement of frigates will therefore also be focused on further developing a strong and competitive base for Norway's national defence industry. This document outlines a framework for strategic alignment of the industrial objectives in the procurement of frigates.

Introduction and background

Through the long-term plan for the defence sector, *The Defence Pledge – For Norway's security* (Proposition 87 S (2023–2024)), Norway's warfare capability in the maritime domain will be strengthened. *Project 1180 – Replacement capacity for frigates* is part of

Fleet Plan 2024 and has been established for the procurement of five frigates with an option for a sixth, along with ancillary anti-submarine warfare helicopters.

In order to maintain operational capability of the frigate systems to the greatest possible extent, timely procurement is being planned in cooperation with a close ally. Procurement in this way will ensure continuity in maritime capacity and strengthen Norway's anti-submarine warfare capability. At the same time, the early phasing-in of new vessels will reduce the need for extensive updates to the Fridtjof Nansen-class frigates.

One fundamental prerequisite for this procurement is that the frigates will be procured and operated through a strategic partnership with a close ally that shares Norway's strategic interests in our neighbouring areas. This partnership will form the basis for the procurement and must be designed to ensure long-term support and further development of the frigates throughout their lifetime. As far as it is possible, the objective is that the materiel and weapons systems will have the same configuration as that of the strategic partner.¹ Selection of the strategic partner must be made on the basis of the following criteria: strategic partnership, time, cost and performance, with significant importance being given to the strategic partnership. Industrial cooperation will be integrated into the criterion of strategic partnership.

The design of the strategic partnership will depend on which nation Norway chooses to cooperate with and must be developed in close collaboration with the partner nation in

question. The partnership will essentially be established through government dialogue and regulated through agreements with the highest possible level of commitment – preferably in the form of *Memorandums of Understanding* (MoUs) or similar bilateral agreements.²

Given the procurement conditions – purchase from a strategic partner, a high degree of system similarity and a short time horizon – a significant part of investments (cash flows) in the implementation phase will accrue to an international partner. It is therefore crucial to take advantage of the opportunities inherent in the choice and design of the strategic partnership in order to strengthen and further develop a competent and competitive Norwegian defence industry. This is in compliance with the ambitions and objectives of the *National Defence Industrial Strategy, The Long-term Plan for the Defence Sector* and the Storting's *Recommendation to the long-term plan* (Recommendation 426 S (2023–2024)).

The importance of the defence industry in procurement

It is essential for Norwegian security that the defence sector's procurement activities contribute to strengthening and further developing the national defence industry. Exports and international cooperation are also a condition for maintaining Norway's defence industry. The defence industry's central role in relation to national security and self-sufficiency is clearly stated in the Long-term Plan. The Storting's *Recommendation to the long-term plan* unanimously emphasises the importance of entering into industrial cooperation

¹ It must be possible to share spare parts and to update systems jointly by sharing costs. Contingency stocks of parts and weapons may be shared, while some will have to be stored nationally for contingency purposes. It is also an objective that maintenance facilities can be made available to the other party and can be shared.

² Such agreements are generally not considered to entail any legal obligations in themselves, unless they are concluded as binding agreements under international law in the form of treaties. Any legal obligations will primarily arise when commercial agreements are entered into.

agreements with the supplier in connection with the procurement of new frigates, and that the government intends to enter into “*broad strategic industrial and governmental cooperation with the supplier nation*”. The following strategic objectives will form the basis for industrial cooperation in the procurement of new frigates, which is in line with the *National Defence Industrial Strategy* and the Storting’s *Recommendation for the Long-term Plan*.

Objectives

This strategy forms the basis for achieving the goal of further developing and strengthening the Norwegian defence industry. It

maintenance, and upgrades of the frigate systems. The involvement of subcontractors – Including national small and medium-sized enterprises (SMEs) – is considered crucial to building robust national value chains, strengthening preparedness and contributing to complete value chains in collaboration with allies.

The objective is also to increase value creation in general, as achieved through industrial cooperation in the F-35 and submarine procurements. Strategic work on industrial collaboration in the procurement of frigates will seek to trigger synergies with other projects in *Fleet Plan 24*.

The procurement of new frigates will help to further develop and strengthen Norway’s defence industry by:

- **Securing Industrial Cooperation Agreements (ICAs) that support Norwegian technological areas of expertise, ensure market access and deliveries to the supplier nation, at a value equal to that of the procurement cost.**
- **Involve the Norwegian defence industry as much as possible in a strategic partnership with the supplier nation, ensuring value creation beyond the value of the procurement itself.**
- **Support national security of supply and preparedness, preferably in line with the defined Technological Competence Areas (TCAs), including in particular maintenance capacity.**

establishes the framework for the industry’s involvement in procurement process, with a view to safeguarding national security interests. The prioritised Technological Competence Areas (TCAs) serve as a management tool for prioritising Norwegian industry, as these are defined as being of critical importance in maintaining national security and technological sovereignty.

Based on the need to strengthen security of supply and national preparedness, a key objective is to ensure broad involvement of Norwegian industry in lifetime updates,

The Norwegian Ministry of Defence will emphasise the objectives and the prioritised Technological Competence Areas in the ongoing process of dialogue and negotiations with partner nations and suppliers, culminating in the selection of a strategic partner and the subsequent signing of a contract.

National prioritised defence-related Technological Competence Areas (TCAs):

- 1) **Command, control, information, communication and combat systems**
- 2) **Ammunition, rocket engines technology and military explosives**
- 3) **Missile technology**
- 4) **Systems integration**
- 5) **Autonomous systems and artificial intelligence**
- 6) **Underwater technology**
- 7) **Materials technology specially developed or adapted for military purposes**
- 8) **Lifecycle support for military systems**

In addition, space-related technology specially developed or adapted for military purposes is a priority area, especially in light of its recent rapid development and importance.

Implementation strategy

Efforts to involve the Norwegian defence industry in the procurement of new frigates are being pursued along three parallel main tracks:

1. **Conclusion of binding Industrial Cooperation Agreements (ICA)**
2. **Strategic industrial cooperation with a short-term perspective**
3. **Strategic industrial cooperation and other industrial opportunities with a medium to long-term perspective**

All three tracks require close government dialogue, formalised bilateral cooperation and a broad approach to involving the Norwegian defence industry – a *Team Norway* approach. Agreements must be drawn up that are as binding as possible before a strategic partner is chosen, and the identified industrial opportunities for cooperation must be followed up bilaterally at government level even after procurement has occurred. The Norwegian Ministry of Defence will seek to coordinate activities throughout the process, including industrial activities, to ensure that Norwegian government stakeholders present a united front and a unified message within the framework of this strategy.

Each track for industrial involvement will clarify which areas of cooperation and opportunities will be prioritised in order to strengthen targeted and strategic industrial cooperation.

1. Industrial Cooperation Agreements (ICA)

Regulations on Industrial Co-operation Related to Defence Acquisitions from Abroad (RIC) form the basis for industrial cooperation, and a binding Industrial Cooperation Agreement (ICA) must be entered into when procuring materiel.

- Binding ICAs must be entered into, through either direct or indirect projects, which ensure that the supplier commits to industrial cooperation equal to 100 percent of the contract value (including any additional procurements).
- The agreements must be in place as early as possible – by the time the contract is awarded at the latest – in order to maintain a real incentive to fulfil the requirements associated with a contract of this size.
- Any Government-to-Government (G2G) projects agreed between the Norwegian Ministry of Defence and

the selected strategic partner may be included as part of the supplier's or supplier nations industrial cooperation commitments, and will be deducted from the total obligation in accordance with the conditions stipulated by the Norwegian Ministry of Defence.

- The Norwegian Defence Materiel Administration (NDMA) is responsible for negotiating and following up the Industrial Cooperation Agreement (ICA), while the Norwegian Ministry of Defence will be responsible for Government-to-Government (G2G) cooperation. These areas of responsibility must be seen in context and complement one another to ensure comprehensive management and follow-up of industrial cooperation.

Prioritised activities:

- B2B dialogue between Norwegian industry and the supplier nation's industry
- Government dialogue with nations and respective industry partners
- Design and conclusion of Government-to-Government (G2G) agreements
- Design and signing of a Declaration of Willingness from the supplier(s)
- Conclusion of ICAs/Life Cycle ICAs (Industry Cooperation Agreements)
- Preparatory agreements, including Memorandums of Understanding (MoUs) with sub-agreements (Programme Agreements)
- Preparation of a roadmap/plan for long-term fulfilment of industrial cooperation commitments

2. Industrial collaboration – short-term opportunities

Given the procurement timeline and the systems similarity requirement, Norwegian industry's opportunities for providing deliverables on the platform at the time of procurement are somewhat limited. The scope will vary depending on the level of platform development by the chosen strategic partner and whether the vessels are already in production. Norwegian authorities and Norwegian industry should therefore seek agreement on promoting common Norwegian areas of expertise that Norway wishes to take responsibility for throughout the vessel's lifetime. This will help to ensure a competitive Norwegian defence industry with a focus on development and facilitate the industry's ability to provide through-life support for joint systems together with the partner nation.

Opportunities for Norwegian content in the short term will nevertheless be actively explored through government dialogue with potential suppliers. The Norwegian defence industry is also responsible for positioning itself with suppliers, and presenting the most relevant products and solutions that can be included in the platform's value chain early in the process.

Promotion and communication must be coordinated with the Ministry of Defence to ensure a uniform message and harmonisation with key processes related to the national investment processes at government level.

- With a basis in Technological Competency Areas (TCAs) and the industrial objectives, the requirement to integrate Norwegian missiles on board (NSM/3SM) will be emphasised and communicated.

- The possibility of integrating missiles on the partner nation's vessels, as well as the export of missiles beyond the supplier nation (third country) will also be emphasised within the scope of the export regulations.
 - Government Furnished Equipment (GFE/GFX) – primarily nationally classified communications equipment and security solutions produced by Norwegian industry – will be integrated on Norwegian vessels. Other possibilities for defining GFE/GFX will be assessed in terms of time and costs in dialogue with the partner nation.
 - Maritime autonomous and unmanned solutions, both surface and underwater drones, are emphasised as being important capabilities on board the frigates.
 - Other appropriate products and solutions that Norwegian industry can supply will be cited in dialogue with the supplier to identify any overlap between requirements and possibilities, as well as areas where Norwegian industry can offer better, more cost-effective or sustainable solutions.
 - The possibility of building, manufacturing and equipping the frigates in Norway will be considered, as this can ensure expertise and capacity in the shipbuilding industry and other Norwegian industry. Any form of national production can also increase Norwegian industry's opportunities for direct deliveries to the platform. Construction and outfitting in Norway must be seen in the context of *Fleet Plan 24*,
- especially with regard to future standardised surface vessels.
- Possible opportunities for production, outfitting and assembly of vessels from the strategic partners and other nations will be emphasised.
 - Opportunities for the development of Norwegian shipyards and national expertise and industry players that facilitate subsequent maintenance will be emphasised (ref. section 2).
 - Opportunities for cooperation on a joint fleet of standardised vessels, as well as other Norwegian-developed military vessels, where both the partner nation and Norway may contribute to system similarity within NATO, will be emphasised. This could strengthen the further development of the Norwegian defence industry and contribute to a more efficient distribution of lifetime costs for a common standardised fleet.
 - Norwegian industry's opportunities for deliveries to other platforms that the strategic partner nation develops and delivers will be emphasised, including:
 - JSM/strike missiles, air defence systems, munitions, (mini) drones, space technology or autonomous systems.
 - Maritime autonomous and unmanned solutions (both surface and underwater drones) and other underwater technology (ref. TCAs).
 - Opportunities to export these products to third countries.

- Other products/solutions where Norwegian industry can assume a supplier position.

Prioritised activities:

- Identification of short-term opportunities, including definition of Government Furnished Equipment (GFE/GFX).
- Preparation of a comprehensive and systematic overview of products and opportunities from Norwegian industry in a supplier position.
- Mapping of the supplier nation's defence procurements.
- Government dialogue with a focus on industrial strategy and national expectations.
- Government-led dialogue with participation from the Norwegian defence industry.
- Preparation of binding agreements, such as Memorandums of Understanding (MOUs).
- Preparation of industrial plans for follow-up after partner selection.
- Dialogue with the Norwegian defence and maritime industry.

3. Industrial cooperation and opportunities in the medium and longer term

It is required and clearly communicated that Norwegian industry will be involved in through life support, further development and future production of the frigate system. This may take place, for example, through the establishment of joint development projects in cooperation with the partner nation.

To ensure industrial opportunities in the medium and long term, and to safeguard national preparedness, work on skills transfer and the preservation of critical areas of expertise must begin immediately after the selection of a strategic partner. A *Joint Programme Office (JPO)* will be established in

collaboration with the strategic partner, where the main responsibility will be to specify and define roles, responsibilities and opportunities for cooperation at a bilateral level – particularly relating to the Through Life Support (TLS) of the frigate system.

- Norwegian industry shall have the capacity and position to maintain, repair and upgrade the vessels and associated systems throughout their service life. This will be done using joint support facilities and on the basis of national expertise.
- Partnership with the supplier nation will form the basis for operation and through life support of the frigates and their systems. In order to ensure national capabilities and preparedness, the following will be emphasised:
 - Identification of opportunities for national suppliers to establish and further develop expertise in TLS, based on technological competence areas (TCAs), as well as the need for national supply security and preparedness.
 - Long-term planning for handling shared critical components and spare parts

A certain critical mass is required to maintain necessary expertise in providing through life support. Emphasis will therefore be placed on whether Norwegian industry can also contribute to through life support of the partner nation's vessels, third-country/export vessels and other maritime platforms. In order to strengthen the role of Norwegian industry throughout the lifetime of the frigate system, and build on bilateral cooperation with the partner nation, the following areas will be key in the ongoing follow-up:

- Opportunities for the delivery of systems and subsystems from Norwegian industry, in line with future replacement, updating and technological development of the vessels.
- Preparation of a roadmap for upgrading and through life support of the platform.
- Establishment of joint ventures or other formalised cooperation models between Norwegian and the partner country's industries for joint development and production, including risk and resource sharing – modelled on the German-Norwegian cooperation in the submarine procurement.
- Technology transfer, where agreements are entered into in which the supplier industry shares technology and expertise that can strengthen the Norwegian defence industry.
- R&D cooperation, including opportunities for Norwegian industry to participate in the supplier nation's own or multilateral research and development projects. Consideration should also be given to how Norwegian industry can be included and positioned in European cooperation programmes, for example through opportunities to influence and participate in EU programmes via the EEA Agreement. This may include:
 - Opportunities for funding, support or other facilitation that strengthen Norwegian industry's position in relevant cooperative constellations.
 - Support from the supplier nation to Norwegian players in application processes and cooperation related to

programmes such as the European Defence Fund (EDF).

Prioritised activities:

In addition to the activities under item 2:

- Conclusion of agreements defining the role of Norwegian industry in future through life support.
- Preparation of a roadmap for through life support of the frigates, including subsystems.
- Mapping of the supplier nations' future procurement plans to identify new industrial opportunities.

The Norwegian Ministry of Defence practises the principle of parity and equal treatment in all phases of the process, from start-up and dialogue with potential partner nations to the selection of a strategic partner. This ensures a fair, transparent and competitive implementation, where all relevant nations are treated on equal terms.

Government dialogue and bilateral cooperation

As a key part of the strategic partner selection process, the Norwegian Ministry of Defence will lead the government dialogue with supplier nations. The aim will be to secure clear and binding agreements on the scope and content of the bilateral cooperation with Norway and Norwegian industry – prior to both selection and contract award.

The Norwegian authorities actively use the processes leading up to and after the time of procurement, to motivate suppliers and supplier nations to prioritise Norwegian solutions as far as possible within the available scope of opportunity – and this applies to all three main tracks of the strategy. The identification of opportunities is based on a comprehensive and systematic overview of the solutions and products that Norwegian industry can offer. Drafting of

Memorandums of Understanding (MoUs) is a key element in the dialogue with the authorities. These MoUs will commit the suppliers even after the selection of a strategic partner and the signing of a contract, and must be entered into prior to the selection of a strategic partner to ensure that the goals of the industrial strategy are achieved.

A coordinated and unified message from the Norwegian side about the industrial objectives is to be communicated in all government contacts with supplier nations.

- Representatives from Norwegian industry are included in high-level meetings with partner nations in order to emphasise the importance of developing a strong, joint defence industry and to promote Norwegian solutions and products.
- The government dialogue includes opportunities from Norwegian industry, which are systematically prepared and presented to potential partner nations and their industry partners in a *Catalogue of Opportunities*.
- Representatives from industry are included in parts of the government dialogue that deal with Norwegian industrial opportunities and solutions in collaboration with the supplier nation's authorities and industry. The primary focus is on the frigate system, but expectations are also communicated to subcontractors of the largest associated subsystems (ASW helicopters, weapons and sensors) as well as other defence material systems.

The frigate programme, with its scope and focus on strategic partnership, will require close bilateral cooperation with the supplier nation. Industrial cooperation will be an

integral part of this collaboration at government level, also with a long-term lifetime perspective. The MoUs, agreements and plans drawn up prior to the signing of the contract, will be closely followed up through the bilateral cooperation. Norwegian industry's market access and participation in opportunities beyond the actual frigate procurement will be sought through dialogue with the authorities and the bilateral relationship with the chosen strategic partner.

Involvement of Norwegian industry

The procurement of the frigate system will, based on the strategy and the associated activities and commitments, ensure that the Norwegian defence industry becomes an even more important partner for the supplier nation's industry. This cooperation will also strengthen Norway's supply security by reducing vulnerabilities in the supply chain during crisis and war.

Through the Norwegian Defence and Security Industry Association (FSI), the Norwegian Ministry of Defence has invited the defence industry to become involved in the strategy and objectives by:

- Providing input for this strategy.
- Establishing a systematic overview of the opportunities Norwegian industry can offer to relevant supplier nations (catalogue of opportunities) to be used in direct dialogue as a means of involving Norwegian industry, and to increase knowledge of the Norwegian defence industry among relevant supplier nations.
- The catalogue of opportunities will be updated

throughout the programme's lifetime.

- At the time of the final selection of a strategic partner, the relevant areas of cooperation identified from both the catalogue of opportunities, government dialogue and industrial dialogue (B2B) will be developed into a binding industrial plan, which will be actively followed up through bilateral government cooperation (Ministry of Defence) and through the Norwegian Defence Materiel Agency's follow-up of the ICA.

The Norwegian defence industry has grown as large companies have included small and medium-sized enterprises (SMEs) in export opportunities. This will be continued by giving Norwegian industry the opportunity to provide representatives who actively support the objectives of the strategy and catalogue of opportunities, to ensure direct involvement with the relevant partner nations.

- The dialogue must be based on a *Team Norway* approach and represent the breadth of the Norwegian defence industry, including in particular the relevant opportunities from both main categories of SMEs, manufacturing SMEs and technology SMEs.
- Bidders from the various partner nations have during the start-up phase of the frigate program primarily been in dialogue with the largest Norwegian defence suppliers, given the time frame of the procurement process. It is expected that the major Norwegian industrial players will consider the range of subcontractors and act coherently on behalf of the

entire scope of the Norwegian defence industry.

- The catalogue of opportunities will help communicate the opportunities offered by SMEs and other industries to a greater extent.

Industrial fora

Industry fora will be established for *Fleet Plan 2024*, and separate sub-fora will be executed for the various programmes: frigates, standardised vessels and submarines. The industry fora will be formalised arenas for collaboration that will also function during the lifetime phase. The objective will be to identify synergies between the procurement projects, facilitate structured dialogue and an efficient flow of information between the authorities and industry, and to help ensure that the procurement projects in the Fleet Plan will contribute as much as possible to achieving the goals of this strategy and strengthening industrial cooperation. FSI will assist the Norwegian Ministry of Defence in implementing the start-up meeting for the overarching Fleet Plan industrial forum.

Separate mandates will be drawn up for the sub-groups in the industrial fora, defining their purpose, participation and working methods.