

ICELAND

Beautiful and innovative, Iceland is an Arctic masterpiece

The US and Icelandic governments are working together to create a bright and sustainable future for their countries

Every year on October 9, communities across North America celebrate Leif Erikson Day to mark the arrival on the continent of the Icelandic and his ship's Nordic crew, who are widely believed to be the first Europeans to cross the Atlantic more than 1,000 years ago.

"We share a long history! Iceland was settled in the ninth century and, not many decades later, we started sailing to the west. Since then, Iceland has always been at the center between Europe and North America," states Prime Minister Katrín Jakobsdóttir. "We're located in the middle of the North Atlantic Ocean at the junction of the European and North American tectonic plates. That makes us a connection point between the two continents, which has formed the basis of our relationship with the US over the centuries."

The US was the first country to recognize the island nation's independence from Denmark in 1944 and the two have sustained over 80 years of unbroken diplomatic relations and a 70-year bilateral defense agreement.

According to a statement made by Secretary of State Antony J. Blinken in June: "The US and Iceland share a strong and enduring friendship, based on commitments to democratic principles, freedom and our collective security as NATO allies. We are working together to address the shared challenges in the region and globally across a wide range of economic, human rights, security and climate issues, as well as through cooperation in the Arctic Council ... I look forward to jointly creating a bright future for our peoples in the years to come."

With the Biden administration keen to deepen US ties with Nordic nations, Blinken visited Reykjavik in 2021 to reenergize the US-Iceland relationship, as well as their collaborative efforts toward protecting the Arctic's environment and promoting the region's sustainable, peaceful development.

During his trip, he conveyed the US's commitment to the partnership. "I particularly want to commend Iceland for its leadership on gender equality, from equal pay to political representation; its contributions to strengthening human rights worldwide ... Iceland's voice is a powerful one, a voice of integrity, a voice that is heard and listened to around the world."

The volcanic and glacial island is also an example to others when it comes to hydropower, geothermal energy and decarbonization, he added: "Iceland is increasingly a source of innovative climate technologies, not just for Iceland but for the world."



Secretary of State Antony J. Blinken meets with Icelandic Prime Minister Katrín Jakobsdóttir in Reykjavik, Iceland.

The countries' robust links extend beyond diplomacy, says Jakobsdóttir: "We enjoy a very close relationship with the US in trade, education and many other sectors of society; and we welcome a lot of US tourists."

New opportunities for trade and investment
The US is currently Iceland's biggest trade partner and among its largest inward investors. To date, private-sector investment has mainly gone into aluminum, one of the Nordic nation's three major traditional industries alongside fisheries and tourism. However, the number of sectors attracting investment is rising in line with Iceland's rapid diversification into a broad range of innovative high-tech, blue and green areas.

"A few years ago, the government significantly increased its support for research and development, which isn't limited to specific industries. By encouraging companies to choose Iceland as their R&D destination, we aimed to generate knowledge that would translate into

**KATRÍN JAKOBSDÓTTIR
PRIME MINISTER OF ICELAND**
"We're located in the middle of the North Atlantic Ocean at the junction of the European and North American tectonic plates. That makes us a connection point between the two continents."

increased export income, solidifying Iceland's position as a forward-looking and competitive player in the global marketplace," explains Minister of Finance and Economic Affairs Bjarni Benediktsson.

This approach is paying off. In 2022, the country's gross domestic product rebounded from COVID-19 with a growth rate of 7.2% to reach \$28.5 billion, while preliminary data from

Statistics Iceland suggest it was the third-best performing economy in the European Economic Area (EEA) in the second quarter of this year after Ireland and Lithuania. Inward investment flows are also on the up: rising from \$153 million in 2021 to \$620 million in 2022.

The land of fire and ice's many advantages for investors mean that these flows are sure to continue growing. For example, its membership of the EEA gives its exporters free access to a market of over 450 million people, its digital infrastructure is world class, it is extremely well ranked for quality of life, its young, highly educated population speaks English and, of course, Iceland is in a very convenient location between the US and Europe.

In addition, notes Minister of Infrastructure Sigurður Ingi Jóhannsson: "Our successful transition to renewable energy sources offers vast potential for investors and opens up numerous exciting avenues for sustainable growth and development."

Global champion of sustainability

Investments in green policies, renewable energies and innovation have put Iceland at the forefront of climate-change technologies

For the third year in a row, Iceland is ranked first in the world for its progress and commitment toward building a low-carbon future in the Massachusetts Institute of Technology's Green Future Index 2023, which analyzes how effectively countries are shifting to clean energy, industry, agriculture and society through investments in green policies, renewables and innovation.

"If you described Iceland in one word, it would be 'sustainability'. It is the most important topic in Icelandic politics," states Minister of the Environment, Energy and Climate Gudlaugur Thór Thórdarson.

Acutely aware of the need to protect the country's pristine waters, as well as the glacial, volcanic and lush-green landscapes that cover a large proportion of the country, the government launched its first fully funded climate action plan in 2018 and has set ambitious plans in motion to reach carbon neutrality by 2040 — 10 years earlier than European Union countries.

Iceland's unique landscapes have given the nation a huge advantage in its transition to clean energy: it has been extracting geothermal energy from its volcanic regions for over 100 years and that now supplies 30% of Iceland's electricity needs, with the remaining 70% coming from hydropower.

"Both households and most businesses rely entirely on 100% sustainable domestic energy production and our radiators are heated using geothermic hot water as well," explains Minister of Finance and Economic Affairs Bjarni Benediktsson.

The fact that much of Iceland's industry runs on green power means that the country is noticeably free of unhealthy pollutants and in 2022 it was one of only six countries worldwide whose air quality met the World Health Organization's safety standards, according to the air-monitoring specialists IQAir.

**GUDLAUGUR THÓR THÓRDARSON
MINISTER OF THE ENVIRONMENT, ENERGY AND CLIMATE**

"When it comes to new innovations to fight climate change, Iceland is the right place to be and, if it works here, it can be scaled up in other parts of the world."

Iceland has also invested in green skills and innovation to help meet its climate-change goals. For instance, Icelandic expertise in areas such as geothermal energy, hydropower and energy transmission is highly sought after internationally, while the country is also a front-runner in carbon capture and storage, thanks to a pioneering project called Carbfix that permanently stores carbon dioxide in rock.

"Carbfix is a great example of a successful invention. It's not enough to have natural resources, we need to find ways to harvest them in a sustainable way. Brainpower is probably the most important thing you need for this



Construction of the Nesjavellir Geothermal Power Station began in 1987.

and we've been fortunate to have that," says Thórdarson. "When it comes to new innovations to fight climate change, Iceland is the right place to be and, if it works here, it can be scaled up in other parts of the world."

The path forward to carbon neutrality
Iceland is already a role model for sustainability, but to achieve carbon neutrality it is currently investing in reducing the impact of sectors that still emit significant greenhouse gases — such as transportation, heavy industry, agriculture, fisheries and waste management.

By 2040, for example, all domestic transport will run on locally generated green alternatives to fossil fuels, such as electricity, hydrogen and methane. "The emergence of affordable electric vehicles is an amazing opportunity for us to increase general wellbeing in the country and to decrease our carbon footprint," says Minis-

ter of Infrastructure Sigurður Ingi Jóhannsson. "There is also an enormous opportunity for foreign investors in Iceland, both now and in the future in terms of utilizing and developing new energies for ships, planes and larger road vehicles."

To lower emissions from agriculture and food imports, on the other hand, the government wants to channel Iceland's abundant geothermal energy into enough new industrial-scale greenhouses to make the country self-sufficient in organic fruit and vegetables.

The government is also focused on building up the nation's circular economy, the reference point for which is its substantial fishing industry that has become a global benchmark for sustainable sourcing and processing. As Thórdarson notes: "Around the world, about 50% of the fish caught is used. In Iceland, however, we use almost 100%."

The land of fire and ice's transition to a low-carbon economy



Ranked **1st** in the world for its progress and commitment toward building a low-carbon future by MIT.



100% renewable electricity, with **30%** of its supply coming from geothermal energy and the rest from hydropower.



1 of only 6 countries worldwide whose air quality met World Health Organization safety standards in 2022.



\$1.1bn will be invested in the national grid, so it can handle a doubling in countrywide electricity generation.



Iceland has implemented ambitious plans to become carbon neutral by 2040, **10 years earlier** than EU countries.



Fishing is a pillar of the Icelandic economy.

A government that prioritizes wellbeing

Economic, social and environmental governance need to be approached holistically in a wellbeing economy, says Prime Minister Katrín Jakobsdóttir

Katrín Jakobsdóttir was elected as Iceland's Prime Minister in 2017. In this exclusive interview, she discusses issues that are at the top of her agenda.

What are your priorities as Prime Minister and how would you assess your government's progress in those areas?

My priorities, and those of the government, concern wellbeing, about which we take a holistic view on what the role of government and politics is for citizens, because wellbeing doesn't only relate to one thing. It is about genuine sustainable development of the environment and making sure people can enjoy all the elements of nature, like clean water, clean air and so on.

It's also about social issues. We researched what people value most in their own lives and for society, and they highlighted health and communication with others. So my government has been focusing on those topics. For example, we have prolonged parental leave, implemented changes to shorten the working week and more. Of course, developing the economy is also part of our holistic approach, because you need to have all elements working together — economic, social and environmental — in order to ensure wellbeing.

Could you describe some of your government's strategies for further diversifying the Icelandic economy?

The government has been working to provide the right conditions that will enable us to see increased economic value in every industry in Iceland, be it fisheries, agriculture, tourism or any other sector. We have introduced both funding and tax reliefs to increase research

KATRÍN JAKOBSDÓTTIR
PRIME MINISTER

"Nordic countries have been very progressive, not least when it comes to topics such as gender equality, social justice and climate action."

and development, for example, and we've also increased funding for startups. This has resulted in very rapid development, with innovation growing in all sectors.

I think we've done quite a good job on this — but it's not just the current government that can take the credit; it's also due to several other governments since the global financial crisis in



Residents of Iceland enjoy pristine environments.

Katrín Jakobsdóttir
Prime Minister

2008, when Iceland felt the urgent need to diversify its economy. We've seen a huge change for the better since then, with a lot more knowledge-based industry in the country.

Iceland is holding the presidency of the Nordic Council of Ministers throughout 2023. What are some of your priorities in this role?

Obviously the war in Ukraine is casting a shadow over all of Europe and that's why one of the things on the agenda of our presidency program has been peace, because peace is the precondition for everything else: you can't have wellbeing when you have war. What we see is that human rights, democracy and all of Iceland's other core values become secondary.

We're also talking about resilience, because we've been faced with the pandemic, a war and, here in Iceland, we've had natural disasters, such as avalanches and volcanic eruptions, just in the last few years. With the climate crisis, we're going to see even more need for resilience toward natural disasters. So a focus of our presidency is the resilience of societies: how you build resilience, not just in terms of concrete things like having a strong meteorological institute, but also societal resilience. How do you ensure that society is ready to take on different sorts of crisis?

In May, a Summit of the Council of Europe was held in Reykjavik, which hosted political leaders from nearly all countries on the continent. What were the key issues under discussion?

It was a significant summit for the Council of Europe, which is a core institution in Europe, and for those crucial values of democracy, human rights and the rule of law. It was only the fourth summit in the council's history and it was important that the decision was made to hold it. It was very clear that, because of the war, we all felt there was a strong need to reaffirm and recommit to our shared values, but also to discuss the war and what we could do to ensure a just peace, as well as to talk about the future challenges for human rights and democracy in Europe in relation to, for example, the climate crisis and new technologies like artificial intelligence, which are changing everything.

In what ways do you think Iceland is a positive presence in the world?

Iceland is part of the Nordic community of countries and Iceland's values — like democracy, welfare systems and a free-market economy — are really part of the Nordic community's value set. On many issues, the Nordic countries have been very progressive, not least when it comes to topics such as gender equality, social justice and climate action that is social and just.

When it comes to Iceland specifically, we slightly enjoy the fact that we are an island that is a little bit distant from everybody else. Icelanders have a tendency to think of ourselves as being at the center of the universe, possibly because of this. However, it has also made us extremely conscious that we have a very strong need for international relationships.

Throughout our history, we have had robust international relationships. If you consider culture, for example: when the early Icelandic poets wrote their sagas, they took them to Norway and recited them to the king there — we've been traveling abroad and presenting our culture from the start. When I'm traveling abroad now, it makes me proud to see what an excellent job Icelandic artists have done around the world and the amazing international success they've enjoyed.

Equality comes first

Named the world's most gender-equal country yet again in 2023, Iceland is the only country to have closed over 90% of its gender gap

In June, the World Economic Forum ranked Iceland as the most gender-equal country worldwide for the 14th year running. According to the organization's Global Gender Gap Report 2023 that analyzes the progress 146 nations have made to establish inclusivity, only nine have closed more than 80% of their gender gaps to date and Iceland is way out in front at 91.2%.

This achievement is the result of decades of effort from Icelandic governments to instill gender equity into all aspects of society, which the country considers to be an essential foundation for building a healthy, sustainable and fair economy in which all residents on the island are treated equally, irrespective of gender, sexual orientation, religion, race or ethnic origin. "Gender equality really is the basis of a wellbeing economy — you can't ensure wellbeing unless you ensure the equal participation of men and women in society," asserts Prime Minister Katrín Jakobsdóttir.

Can other countries learn from Iceland?

As chair of the Council of Women World Leaders, the network of current and former heads of international governments, Jakobsdóttir is acutely aware that much of the world lags behind Iceland in inclusivity. "We're moving far too slowly and may have centuries to go before we reach the United Nations Sustainable Development Goal for gender equality. I really notice it when I'm traveling abroad and meeting my peers, there are still so few women in leadership roles," the Prime Minister states.

"Iceland has many things it can share with others when it comes to gender equality. For example, we've implemented shared parental leave, which is divided equally between the parents. If one parent doesn't use their portion of the leave, they lose it and this has proven to be a great motivation for fathers to take a bigger role in the upbringing of children. The universal childcare in Iceland is another key factor, as this has ensured that women's participation in the labor market is very high here."

Among other notable policies, all ministries practice gender budgeting and make equality impact assessments on the projects and legislation they oversee, with the Prime Minister's office having overall responsibility for equality affairs. In addition, companies are required to have at least 40% women or men on their boards and demonstrating wage equality is a legal obligation for businesses with over 25 staff.

Jakobsdóttir's government is now focused on removing the remaining 8.8% of Iceland's gender gap. "I'm sorry to say we have not yet closed the pay gap. It has diminished, but it shouldn't

be there at all," she says. "In addition, we're thinking about how we can better value and compare jobs. For instance, there are jobs that are dominated by women and others dominated by men and those dominated by men are better paid traditionally."

The government is also cementing the equality rights of the lesbian, gay, bisexual, trans and intersex communities in a country that already ranks fourth on the continent-wide Rainbow Europe Map, which reflects the rights and equality of LGBTI people. Iceland has adopted and funded a comprehensive LGBTI action program that will be completed by 2025 and an online dashboard is being created so the public can monitor its implementation. This reflects the fact that all of Iceland's residents, regardless of even their age, are encouraged to engage in and contribute to their communities and policy making.

HANS HENRI P. KLUGE
REGIONAL DIRECTOR FOR EUROPE
WORLD HEALTH ORGANIZATION

"Iceland is a pioneer in creating a wellbeing economy, for a fairer society that leaves no one behind."

Jakobsdóttir's commitment to human rights and gender equality was recognized in June when the World Health Organization's regional director for Europe, Hans Henri P. Kluge, appointed her as a WHO Champion for the European Wellbeing Economy Initiative. In this role, she is being tasked with raising awareness among governments and intergovernmental bodies about the benefits of transitioning to wellbeing economies that prioritize people's health, prosperity, social connectedness, security and happiness.

"Iceland is a pioneer in creating a wellbeing economy, for a fairer society that leaves no one behind," Kluge explained. "Its determined focus on an equitable and sustainable welfare system, early childhood development and family support, young people in the labor market and equal opportunities for women, girls and minority groups, as well as advancing these values internationally through the Sustainable Development Agenda, has been spearheaded by Prime Minister Jakobsdóttir. I am honored that the Prime Minister has agreed to become a WHO Champion for the European Wellbeing Economy Initiative, so that countries across Europe and central Asia will be able to learn from Iceland's example."

Robust financial foundations for growth

Strong management of public finances is helping Iceland to achieve even more

Iceland staged an astounding economic recovery after 2008's global financial crisis that threatened to decimate much of its financial system. And the country has realized an even faster return to form in response to COVID-19, achieving a 4.5% rise in gross domestic product in 2021, 7.2% in 2022 and 7% in the first quarter of this year, when compared to the same period in 2022.

Further evidence of the nation's buoyancy comes from S&P Global, which revised its outlook for the country from stable to positive and confirmed its A/A-1 sovereign credit ratings in May. "The positive outlook reflects our view that Iceland's fiscal outlook or its ability to withstand external shocks will continue to improve, potentially beyond our expectations, over the next 24 months," explained the ratings agency.

Its economy was able to weather the pandemic better than others thanks to a comprehensive set of actions taken by the government in the wake of 2008, which included overhauling financial frameworks and restructuring the banks.

As a result, "Our public and state debt levels were very low prior to the pandemic. Iceland was severely impacted by COVID-19, due to the size of the tourism sector in our economy. However, our prudent financial management provided us with the flexibility to utilize the strength of the treasury to support the economy. During the pandemic years, we laid a solid foundation for economic rebound by implementing extensive support programs for businesses and households," reveals Minister of Finance and Economic Affairs Bjarni Benediktsson, who notes that Iceland's now-robust banking sector played a major role in steering the country through the crisis. This sector is made up of four universal banks and five savings banks that have significant capital and liquidity buffers, solid balance sheets and which hold assets worth 135% of GDP, according to an International Monetary Fund report from May.

The government's measures went beyond stabilizing the economy and ensuring that companies and workers were able to spring back into operation when the pandemic subsided, Benediktsson adds: "One example of our forward-thinking approach was our international-airport investment. Despite the absence of air traffic, we made a strategic decision to initiate a new project with an investment of around \$300 million."

Iceland's economic revival means that the minister has been able to phase out COVID support initiatives and he is now working to regain

Bjarni Benediktsson
Minister of Finance and Economic Affairs

a balanced budget, while maintaining public investment levels. One advantage Iceland has at the moment is that it is less dependent on international energy prices than other nations, as all households and many businesses are powered and heated by locally produced renewables.

Even so, says Benediktsson, "We're currently grappling with inflation for mostly domestic underlying reasons: the housing market faced a shortage of supply, which led to increasing prices, driven by low interest rates and rising salaries. In response, the Central Bank of Iceland

BJARNI BENEDIKTSSON
MINISTER OF FINANCE AND
ECONOMIC AFFAIRS

"It's remarkable to see our GDP per capita ranked among the top 10 worldwide. This indicates we're creating significant value and serves as a testament to our economic strength and resilience."

has raised interest rates repeatedly and it was the first central bank to take this sort of action. Due to the rate hikes and measures aimed at increasing the supply of residential housing, the trend has started to reverse."

Public finances contribute to value creation

The Icelandic population is currently the ninth richest globally, according to IMF data. "It's



Roughly two-thirds of Iceland's population live in or near Reykjavik.

remarkable to see our GDP per capita ranked among the top 10 worldwide. This indicates we're creating significant value and serves as a testament to our economic strength and resilience. With such a strong economic foundation, our focus remains on providing top-level public services to our citizens," states Benediktsson.

"In Iceland, we take pride in achieving even more. For instance, we have the highest household cable connections in Europe, our internet usage ranks among the highest globally and our citizens are well educated. This favorable environment has helped us to become leaders in various high-tech industries and we're determined to maintain our position at the forefront."

His ministry is constantly evaluating how public finances can better contribute to greater economic value creation in order to sustain the country's social security, healthcare and education systems, as well as infrastructure development. Encouraging further diversification is another critical concern for the government's financial strategies.

"By expanding the range of industries and sectors, we aim to reduce susceptibility to economic downturns and fluctuations. This will contribute to building a more stable, resilient economy," Benediktsson says.

"Our approach of providing tax incentives, boosting competitive funds and offering kickbacks to those investing in research and development has proven successful. It has led to the creation of more well-paid jobs and is fostering the growth of export companies. We've had tremendous success in software and technology sectors and the impact extends to our traditional economy as well, including the fisheries industry."

The minister's long-term priority is to seize on opportunities to promote a greener economy in Iceland. The country's financial sector is already making a considerable contribution in this area: all the universal banks are rated highly for environmental, societal and governance concerns and the sector has developed a wide portfolio of sustainable-financing solutions, including green bonds, mortgages, loans and deposit accounts.

When it comes to the wider economy, "Our goal is to find innovative ways to reduce emissions while also leveraging our expertise in sustainable energy to provide valuable solutions for the rest of the world. By developing sustainable solutions and sharing them internationally, we aim to contribute positively to the global fight against climate change."

Fintech causes a seismic shift in Icelandic financial services

The Icelandic financial sector has changed substantially since the global crisis of 2008, in the aftermath of which the country instigated some of the strictest banking regulations in Europe and banking practices were put under intense scrutiny. "Today, all Icelandic banks have healthy balance sheets, high equity ratios and leverage ratios that are quite low when compared internationally," says Marínó Örn Tryggvason, who until recently was CEO of Kvika banki, one of the country's leading operators in the financial sector.

Formed in 2002, Kvika has also played a significant role in changing the landscape of financial services in Iceland by elevating competition in the industry and by promoting innovative and simple financial solutions for customers. The conglomerate is active across five main areas — commercial banking, investment banking, asset management, insurance and UK operations — and it has expanded rapidly. Having gone through 10 mergers within the last decade, it now employs around 400 people in Iceland and London. "The rational behind the mergers was to build a diversified and efficient financial group here in Iceland. If you look at the bank's recent accounts, you can see that this business model is paying off," Tryggvason explains.

The latest financial results from the conglomerate that is listed on Nasdaq Iceland's main market confirm that it is in an extremely healthy position: the group's pre-tax profit for the first two quarters of 2023 amounted \$20.4 million, a 24% year-on-year increase, while its net interest income was 27% higher compared to the same period in 2022 at \$33 million. By the end of June 2023, Kvika's total assets had grown by nearly 10% percent over the previous six months to reach \$2.5 billion, its solvency ratio was 1.24 and its risk-weighted capital adequacy ratio for operations excluding insurance was an impressive 23.1%.

Focus on fintech

At the heart of Kvika's business strategy is ongoing investment in infrastructure with a focus on fintech and it has been building up a portfolio of specialized digital solutions in the commercial banking space since 2019. It started that process with its in-house development of Iceland's first platform for online-only deposit accounts: Auður.

Offering much higher savings rates than other banks in Iceland at the time, Auður quickly became a hugely successful brand on the market: it is currently used by about 40,000 customers and received the highest net promoter score — a metric for measuring customer positivity and loyalty — of any Icelandic brand in any sector last year.

In 2020, a merger added the car-loan and fleet-funding solution Lykill to Kvika's portfolio and the following year it acquired the fintech platforms Netgrío, a secure and simple buy-now-pay-later payment system used in stores and online, plus Aur, another buy-now-pay-

Kvika banki's pioneering investments in digital innovation are having a transformational impact on the nation's financial sector



Competition is growing in the Icelandic financial sector thanks to fintech solutions.

later platform that is particularly popular with younger people at the start of their financial journeys, partly due to the fact that as well as being able to make retail purchases through the mobile app, its users could easily transfer money to each other. Numerous other innovative value-added services have since been packed into Aur, which is now actively used by 30% of the total Icelandic population and 70%-80% of those aged under 25.

With around 120,000 customers, Aur's prominence in the country means "Kvika is in a unique position to disrupt Icelandic banking, with a very strong user base and market presence," according to its head of fintech, Sverrir Hreidarsson. This July, the conglomerate took a major step toward leveraging this position when it released an extensive update of the Aur platform, which has transformed it into a comprehensive online bank and financial services app that is geared toward younger customers.

As part of the upgrade, Kvika has launched the world's first hybrid Visa card, which combines a debit and credit product on the same digital card, integration with Apple Pay and Google Pay, cashback rewards, merchant network and the ability to share expenses or balances with other users. Within a few weeks of the new Aur going live, over 9,000 of its Visa cards had been issued, suggesting that the group is well on its way to causing a seismic shift in Icelandic retail banking.

raised interest rates repeatedly and it was the first central bank to take this sort of action. Due to the rate hikes and measures aimed at increasing the supply of residential housing, the trend has started to reverse."

Kvika Securities and Kvika Advisory. At present, these companies are responsible for approximately 5% of the group's total revenues, but the goal is to raise this significantly. To help realize this ambition, in 2022 Kvika increased its stake in Ortus Secured Finance — a specialized UK real estate lender — from 15% to 80%.

Bright future for investments

Within its home country, Kvika is one of the top four investment banking and asset management service providers. It has a particularly strong position in the foreign exchange market and is the only bank offering foreign exchange trading on Iceland's new Keldan foreign exchange market, while it also has easy access to all major stock markets in Europe and the US.

The group is also expanding its presence in these two sectors at a fast pace: for example, the assets under its management in Iceland have grown from less than \$1 billion to over \$4 billion within the last decade, and in the first six months of 2023 it saw its foreign exchange volumes grow by 26% and its bond volumes by 50% year on year.

An increasing number of investment instruments available in Iceland are green. Kvika aims to be a frontrunner in delivering sustainable investment opportunities, products and services to customers in order to have a positive impact on the nation's carbon footprint and it launched its first green bond last year, which it hopes to follow with further green and blue offerings.

The conglomerate is a very active player in the Icelandic investment ecosystem. "It's a small community and Kvika has relationships with almost everyone in both the private and public market. I think the future is bright for the Icelandic economy. There are a lot of interesting

SVERRIR HREIDARSSON
HEAD OF FINTECH, KVIKA BANKI

"Kvika is in a unique position to disrupt Icelandic banking, with a very strong user base and market presence."

innovative companies and investment opportunities in Iceland, and we have seen more activity in equity investment over the last few years from Europe and the US. The Icelandic fixed income market is also something that investors should look at," says Tryggvason.

He expects Kvika's asset management operations will continue to grow quickly as well: "Icelandic government debt levels are low, we have one of the highest savings rates in the world, high interest rates and the real exchange rate of the Icelandic króna is not too high now. In addition, we have an almost fully funded pension system that is one of the biggest pension funds per capita systems worldwide, with positive demographics because we have a relatively young population, so our pension system will continue to grow. Iceland is a great place to invest in."

A specialized bank

Kvika's purpose is to foster competition and simplify customer finance by utilizing infrastructure and financial strength. Kvika has five main areas of operation – commercial banking, investment banking, asset management, insurance, and operations in the UK.

KVIKA

kvika.is

A hotbed of high-tech entrepreneurs

The Icelandic government has put everything in place to make innovation the country's biggest export sector

Although Iceland's best-known industrial strengths may be tourism and fishing, in recent years a new economic pillar has emerged in the country: innovation and technology, with the number of people employed in those sectors rising by 14% during the pandemic, according to the export and investment promotion agency Business Iceland.

"Icelandic ingenuity is getting stronger and stronger, our innovative companies are expanding and this is the type of growth we want to see, in order to build up our economy for the long term and to create more exciting well-paid jobs," asserts Áslaug Arna Sigurbjörnsdóttir, Minister of Higher Education, Science and Innovation.

She is confident that the country has what it takes to continue to advance these sectors: "With our mindset, we can do even better and I'm convinced that we have much to offer the world in this. We want to use our knowledge, skills and innovative solutions to further develop a knowledge-based society."

To support that ambition, in 2022 the government created the new Ministry of Higher Education, Science and Innovation, which aims to combine the strengths of the country's universities, researchers and innovative businesses. "To put all these roles under one governmental minister is allowing us to move forward faster in these fields. I feel like I am leading the ministry of the future and holding the future of our society in my hands," enthuses Sigurbjörnsdóttir.

"When I was tasked with establishing this ministry, I wanted it to be seen as a new initiative, in terms of the subjects covered, its organizational structure and how it operates — there must be no divisions between our fields, for example. I also made my ministry's mission clear: that we should do everything in our power to make innovation Iceland's biggest export sector in the near term, because that is the key to further improving living standards and increasing the opportunities available for people in the country, especially for the younger generations."

A nation of innovators

Over the last few decades, the country had already fostered a number of innovative businesses that have become global frontrunners in varied sectors. Among the most prominent of these are the online gaming company CCP and Óssur, a leader in cutting-edge orthopedics that



Áslaug Arna Sigurbjörnsdóttir
Minister of Higher Education,
Science and Innovation

currently employs around 4,000 people around the world and which developed Power Knee, the first-ever motorized prosthetic. And no list of Icelandic champions would be complete without a mention of Marel, whose software, machinery and systems that utilize technologies like digitalization, automation and robotics are transforming and building sustainability in food processing operations across six continents.

Those giants have now been joined by a whole host of highly promising young entrepreneurial firms. "It's really exciting to see what has blossomed since COVID-19, after we had taken big steps toward being competitive in research and development (R&D), for example," Sigurbjörnsdóttir reveals. "We've built up strong and competitive platforms for entrepreneurs and startups, and created the right environment for their ideas to flourish. It's the government's role to build a good support system for innovation because, as I like to describe it, ideas are like chicks trying to leave the nest: some of them will end up flying so high that they will pay us back way more in jobs and exports than we will have spent on supporting them."

As the minister says, Iceland has become an extremely attractive and collaborative location for companies engaged in innovation that provides 25% tax rebates on R&D expenditure to larger firms and up to 35% to smaller ones. The nation's venture capital ecosystem is also buoyant, with a record \$391 million being invested



Iceland is fostering a host of highly promising startups.

in startups last year, 78% of which came from foreign investors. Other benefits for innovators include the country's wider tax incentives, highly educated workforce, first-class digital infrastructure and connectivity, plus its abundant natural resources and green energy. In combination, these elements are making Iceland a hub for businesses involved in life science industries like aquaculture, healthtech, pharmaceuticals and biotechnology, as well as green and blue technologies, software, data storage and fintech.

Fostering local and international pioneers
Sigurbjörnsdóttir highlights a few of the Icelandic entrepreneurs working in some of those sectors that are rapidly expanding into international markets. "One is Sidekick Health, which is combining artificial intelligence (AI), clinical treatments and behavioral economics for digital therapeutics. Another is Controlant, a company that grew during COVID when its solutions were used by Pfizer, as it produces real-time

ÁSLAUG ARNA SIGURBJÖRNSDÓTTIR
MINISTER OF HIGHER EDUCATION,
SCIENCE AND INNOVATION

"We've built up strong and competitive platforms for entrepreneurs and startups, and created the right environment for their ideas to flourish."

monitoring and visibility for transporting delicate products like vaccines," she notes. "A third is Kerecis, a highly progressive and innovative company that is a strong example of our focus on the circular economy. It has developed a product from fish skin and fatty acids, which recreates human skin for healing wounds that could previously not be treated. While one

very different but just as interesting company is Treble Technologies, which is combining the latest advances in sound simulation and audio technologies into products for architects to optimize sound within buildings."

Numerous other diverse innovators could be added to this list, including the biopharmaceutical businesses Alvotech and Oculis that have both been recently listed on the Nasdaq exchange, sleep diagnostics firm Nox Health, carbon capture and storage company Carbfix, digital currency specialist Monerium, online banking expert Meniga and Lucinity, which has created a unique platform for monitoring and preventing financial crime.

As well as nurturing success in its home-grown talent, Iceland's many advantages for innovators are attracting international entrepreneurs to its shores, says Sigurbjörnsdóttir: "One of my favorite examples is Running Tide from the US, which set up an R&D base here last year to grow its ocean carbon removal solution that utilizes algae. It chose Iceland not only because of our clean energy and access to the ocean, but also our expertise in marine resource development, ocean technologies and sustainable fisheries, as well as our strategic location between the US and Europe, investment incentives, the opportunities to form partnerships and the government's ambitious sustainability targets."

According to Marty Odlin, founder and CEO of Running Tide: "During our first year in Iceland, we've been met with open arms by coastal communities, partners across various industries, new Icelandic team members, the scientific community and policymakers." In his opinion, the nation is "poised to become a hotbed for the development and deployment of innovative climate technologies, as evidenced by the growing number of leading players already established and operating throughout the country... Iceland is home to myriad trailblazing technologists, expert industrial operators, determined mayors and pioneer startups."

Expanding funding in Icelandic research

Iceland offers extensive support for research and innovation at the national level and by facilitating international collaborations

According to Ágúst Hjörtur Ingþórsson, general director of the Icelandic Centre for Research, Rannís, "Research and innovation funding levels in Iceland have witnessed a significant increase over the last four years and this upward trend will be maintained."

Rannís has a crucial role in propelling the trend forward. The public body has two core business areas, the first of which is managing the national support system for research, innovation, education and culture. As part of that remit, it administers competitive funding schemes. These include the Icelandic Research Fund that provides grants to a range of applicants, from doctoral students to universities, institutes and companies, which all received around \$28 million to projects in 2022 alone.

Another influential initiative is the Technology Development Fund that acts as an early investor in innovative businesses. "This typically offers grants of less than \$500,000 over a two-year period, but some companies leverage multiple grants from it. One example is Controlant, a long-term client of the fund, that went through an extensive development stage before becoming a global leader whose equipment is used in vaccine shipments worldwide," says Ingþórsson.

When it comes to boosting research and development (R&D), however, the most important element in Rannís' national program today is its responsibility for accrediting companies' eligibility for up to 35% tax deduction on R&D activities, which has evolved into the largest public support action for innovation.

The second pillar of Rannís' business is serving as Iceland's one-stop shop for international cooperation in science, innovation, education and, to a lesser extent, culture. "Our facilitation of international cooperation is among our



Ágúst Hjörtur Ingþórsson
General Director, Rannís

most significant success stories. The willingness of people to collaborate with Icelandic partners is remarkable and Rannís has been pivotal in fostering international cooperation at the higher-education and industry levels," he says.

One way it catalyzes partnerships is through its coordination of Iceland's participation in European Union funding schemes such as Horizon Europe for research and innovation, Erasmus+ for education and Creative Europe for culture and media. "We're full partners in these programs and our success rate has been noteworthy in each one," Ingþórsson asserts.

A high-profile success story involving EU collaboration is Carbfix, he adds: "It has developed the most sophisticated carbon capture system to date. Its journey began in 2006 with funding from the Icelandic Research Fund, followed by support from the Technology Development



Iceland's higher education system promotes internationalization.

Fund. By about 2012 it was ready for European cooperation and secured significant investment, which has continued to grow. Last year, it received around \$125 million for a project, the largest single sum Rannís has received from an EU fund. This demonstrates that becoming a technological leader requires patience and dedication, as it took 16 years from research to reach this level of maturity."

Beyond Europe, the center has engaged in numerous bilateral agreements with organizations like the US's National Science Foundation, he adds: "There's an opportunity to strengthen our US ties in Arctic-related issues, for example, particularly in climate-related monitoring and research, as well as social sciences and humanities due to the evolving geopolitical situation in the region."

A further area that is ripe for alliances is energy and fascinating R&D projects in that sector are currently being conducted with Rannís' sup-

port. One concerns producing steam from the Mývatn region, where magma lies closer to the surface than anywhere else on Earth. If the process works, it could yield up to 10 times the output of conventional energy fields. "The scientific potential of this unique laboratory is immense, with another interesting option being direct production of hydrogen using steam without relying on electrolysis," Ingþórsson states.

"Iceland already holds technological leadership in geothermal and heat-related energy, but to become a showcase in the energy transition, we must collaborate with countries strong in battery technologies, energy conversion and transportation, and integrating increased electricity production into industries like aviation and shipping, for example. By continuing to foster research, innovation and international cooperation to advance green technology and energy solutions, we can pave the way for a more sustainable and environmentally friendly future."

Computer games with distinct stories

Iceland's computer game industry is thriving, with over 20 companies generating annual revenues of around \$85 million, more than 95% of which come from exports, and roughly eight new Icelandic games being released to global customers every year. "The sector now employs about 500 people out of a total national workforce of perhaps 90,000, which is quite a ratio," says Hilmar Veigar Pétursson, CEO of CCP Games, the largest and earliest player in the industry, which currently has over 350 employees that work at its Reykjavík headquarters and offices in London and Shanghai.

Founded in the Icelandic capital in 1997 and internationally renowned for its groundbreaking technologies and designs that make it one of the most innovative operators in the online interactive entertainment world, CCP Games has been central to the advance of the country's gaming industry.

"There was a bit of a boom in other people starting gaming companies after the financial crisis in 2008, when there was a lot of free intellectual capital on the market, much of it coming out of the banking sector, with highly technical, skilled people available. As pioneers of the sector, we helped create the Icelandic Gaming Industry trade association as a platform to share our knowledge, experience, connections and so on in 2009. 14 years later, we are immensely proud to have played that part in the sector's development," Pétursson reveals.

In his opinion, a number of other factors have contributed to the country's rapid establishment of a robust gaming industry: "On top of our general pioneering attitude and willingness to do new things, Iceland is very distinctly a nation of unique storytellers, that's very much part of our environment and culture."

"Not only do we have the Icelandic sagas that were written 1,000 years ago and have persisted throughout time, we also have our Nobel Prize winner in literature, Halldór Laxness, plus we have artists like Björk and Sigur Rós on the music front and an increasing presence in film and television. When you look at a game like CCP's EVE Online, for example, it's evident that it has been built by storytellers."

The company's flagship product, EVE Online is a massively multiplayer online roleplaying game that was first launched in 2003. Since then, hundreds of thousands of enthusiasts have been exploring its immersive virtual world set 21,000 years in the future in a vast distant galaxy called New Eden.

Those players engage in competitive space battles and economic wars in order to create,

The nation of storytellers has rapidly built up an innovative gaming industry that is led by the pioneering CCP Games



Gaming companies in Iceland generate annual revenues of about \$85 million.

develop and retain their own galactic empires. As an illustration of the multi-award-winning game's popularity, in 2020 an EVE Online 14-hour battle involving thousands of players and their virtual spacecraft was recognized by Guinness World Records as the largest-ever multiplayer battle.

"EVE Online's appeal is its uniqueness. It is a hugely complicated, economical, strategic and social experience, and the fact that it's a science-fiction game is also attractive. With so many things transforming in our daily lives globally at the moment, playing a game like EVE Online might increasingly be seen as good preparation for science reality."

"As a result, we're now seeing parents bringing their children into the game, which is great, and we're constantly looking for more ways to bring younger generations into the extremely established loyal fan base we've built over the past 20 years," says Pétursson.

Evolution in product and audience

During those decades, players have benefited from the game's continuous evolution, with

Universities are perfect innovation partners

To serve both the economy and society, research-focused universities have formed close ties with businesses and global peers

Iceland is packed with well-educated talent: business school INSEAD ranks the country 12th overall in its Global Talent Competitiveness Index 2022 due to its strengths in high-level, global knowledge, vocational and technical skills, as well as talent impact.

Almost half the population has benefited from tertiary education and, despite its small size, Iceland contains seven research-focused universities that are increasingly focused on working with others to solve real-life concerns of society and industries. Indeed, according to the European Union's Innovation Scoreboard 2023, the nation now stands out in areas that include public-private scientific co-publications, international co-publications and collaborative businesses.

The government has encouraged this connectivity by setting up a Ministry of Higher Education, Science and Innovation. "It was an important decision to put our universities closer to key pillars of our economy and to discussions about societal challenges. It is moving our higher education system faster in the right direction toward building up the competences and skills needed for a labor market that is changing so quickly due to new technologies. Added to

which, research development from our universities is a robust foundation of Icelandic innovation," says Minister of Higher Education, Science and Innovation Áslaug Arna Sigurbjörnsdóttir.

The country's oldest and largest university, the University of Iceland (UoI), is a good example of how education institutions are promoting collaborative innovation. The broad-based UoI has notable strengths in topics that include Icelandic culture and society, geosciences, health, computer sciences, and engineering. These are taught at its campus that lies at the heart of Reykjavík Science City, a dynamic neighborhood in the capital that is densely filled with established innovative companies and startups working in science and technology, plus the national hospital and another highly regarded educator: Reykjavík University.

A new addition to UoI's campus is a state-of-the-art science park, says UoI's president and rector, Jón Atli Benediktsson: "Three major businesses that are strong partners of ours have already moved in — the global leader in human genome analysis deCODE genetics, pharmaceutical company Alvotech and computer gaming firm CCP Games. We're also attracting smaller innovative firms, students and faculty have



University students in Iceland are focused on solving real-life challenges.

space to work on entrepreneurial projects, and we would very much welcome international companies to the park."

Like all of Iceland's universities, UoI has embraced international collaboration, as evidenced by the fact that it has amassed over 400 agreements with universities around the world. "For example, we're leading a network of European universities called Aurora, and we have great relationships with many US institutions, including the Universities of Minnesota, Wisconsin and Washington," states Benediktsson.

met some of their best friends through playing the game," he comments.

"Enabling the formation of new friendships is very important, because there's an epidemic of loneliness in the world, with people today saying they have fewer real friends than they did 20 years ago. While it's not well understood why that is, it's a fact that we need new ways to form friendships and games like ours will increasingly play a part in these kinds of social challenges."

Embracing the potential in Iceland

CCP's focus on social responsibility extends beyond its own games to supporting the local Icelandic gaming community. Pétursson himself spends considerable time giving back to the country through the Icelandic Gaming Industry association and by providing advice to the next generation of startups in the industry, he notes: "We were pioneering everything when we started and now things have become easier, but it's still very hard to set up a new company and make it a success. By sharing some of our

HILMAR VEIGAR PÉTURSSON
CEO, CCP GAMES
"EVE Online's appeal is its uniqueness. It is a hugely complicated, economical, strategic and social experience, and the fact that it's a science-fiction game is also attractive."

own journey, we can prevent people from making the same mistakes we did."

With many exciting plans in the pipeline for EVE Online as it heads into its third decade, Pétursson is excited about what comes next for CCP. He is also optimistic about the future growth prospects of the wider Icelandic gaming industry, which attracted \$48 million in investments in 2021: "The global audience that is enjoying games is much larger and much more diversified than it was before and there's a big opportunity to really embrace all these new people."

"And Iceland is full of potential for investors. It is perhaps still not on the map for everyone, but our own investors that joined us very early on our journey — both from Europe and America — benefited from doing that early, and there are a vast amount of opportunities like this in Iceland."

Pure and green biotech products

Biotech innovators are capitalizing on the nation's natural resources to become worldwide market leaders

Thanks to Iceland's unpolluted lands and waters, sustainable energy and governmental support of science-based firms, the nation has become a strong innovator in biotechnology sectors that require uncontaminated ingredients and green processes.

One illustration of Iceland's innovative strength is BIOEFFECT, the award-winning range of rejuvenating skincare that is the first worldwide to incorporate a plant-based epidermal growth factor, which is harvested from barley. "BIOEFFECT pioneered green and clean beauty: we're science based, with a focus on efficacy, minimizing ingredients and our 'Clean and Pure' strategy. We use biotechnology for greater results, while also concentrating on sustainability," says CEO Liv Bergþórsdóttir.

BIOEFFECT ensures quality and sustainability by making the range only in Iceland, where its barley grows in a high-tech greenhouse powered by renewable energy and irrigated with pure Icelandic water, and its products are purified with volcanic pumice.

BIOEFFECT has found global success with different generations, notes Bergþórsdóttir: "When I was young, we bought products our mothers used. Today, mothers are buying what their daughters are using, because young wom-

en are more aware about the best ingredients and they know that a good skincare regime should be followed long before wrinkles appear."

Other innovators have capitalized on Iceland's sealife-rich oceans. Algafit, for example, harvests microalgae to extract the antioxidant astaxanthin that has many health benefits. Formed in 2012 and now earning export revenues of \$12 million a year, the carbon-neutral firm will open a new \$30-million plant this year, quadrupling its manufacturing capacity. According to CEO Orri Björnsson: "The new facility will help us establish Algafit as the clear global leader in the production and marketing of natural astaxanthin. Furthermore, it will allow us to put even more focus on our research and development into other valuable algae products."

Another leader in its sector is Primex, which sustainably produces contaminant-free fibrous chitosan from the shells of ocean shrimp. Primex's pure chitosan is used as an ingredient by multiple industries, including food manufacturing and pharmaceuticals, and the company has developed its own innovative beauty, dietary and water-clarifying branded goods as well.

Iceland has also fostered the fifth-fastest growing life sciences company in Europe: Kerecis, which has created a portfolio of products



Liv Bergþórsdóttir
CEO, BIOEFFECT

from wild Atlantic cod skin, a byproduct of the country's fishing industry. The startup's solutions mimic human skin and are transforming the treatment of acute and chronic wounds and burns. Having only launched its first products in 2016, 98% of which are sold to the US, healthcare giant Coloplast announced it was acquiring the Icelandic biotech firm for up to \$1.3 billion this July. Minister of Higher Education, Science and Innovation Áslaug Arna Sigurbjörnsdóttir believes the nation has the potential to produce more flagship innovators: "As a technologically advanced country, we can be in the front line of having ideas come to life and make an important contribution to a sustainable global economy."



THE INCREASINGLY
INNOVATIVE
NORDIC NATION
IN NUMBERS

25%-35% tax deduction
on R&D activities

\$391m venture capital funding
for Icelandic startups last year

14% rise in innovation and tech
sector workforces since 2019

12th in INSEAD's Global Talent
Competitiveness Index 2022

7 research-focused universities and
~50% of Icelanders are 3rd educated

Novel solutions to climate change

The US and Iceland will benefit from working closely on reducing carbon emissions and Arctic sustainability

Prior to becoming Iceland's Minister of the Environment, Energy and Climate in 2021, Guðlaugur Þór Þórðarson was Minister for Foreign Affairs from 2017-2021 and Minister of Health and Social Security from 2007 to 2009. In the following interview, he describes why the country has become a green pioneer.

Do you see your current role as a coherent continuation of your previous ministerial responsibilities?

Iceland needs to be sustainable when it comes to the environment, but also we need to ensure our economic and social sustainability. Sustainability has been central in all of my roles — when I was Minister for Foreign Affairs, for example, I spoke a lot internationally about sustainability, sustainable energy, the environment and the climate. Today I have a different job, but it's still always about sustainability, which is the key to success. It's the most important issue in Icelandic politics and the environment is Iceland's greatest interest.

Iceland has an enviable 100%-green electricity mix, 30% of which comes from geothermal plants and the rest from hydroelectric power. In addition, 90% of houses are heated with geothermal energy and the other 10% with sustainable electricity.

Last year, the country took another step toward its climate-change goals with the inauguration of Carbfix, the world's largest carbon-capture facility. How did the country become a pioneer in sustainable energy technologies?

Because the global emphasis has been on solar and wind power, geothermal energy has gone under the radar. In reality, it can be utilized in many more parts of the world than people realize — it doesn't need to be as warm as the geothermal heat is in Iceland — and the technologies developed in Iceland are now being used in numerous other countries, including in Central Europe and China that have comparatively lower amounts of geothermal energy that we are helping them put to good use.

Looking back more than 100 years ago, you might think it was obvious that Iceland should start using its abundant geothermal energy to heat up houses and make electricity. But it was a political struggle: should we stick to gas and coal, or should we do something that had never been done before anywhere in the world?

To solve that struggle, we needed to find inventive ways to harvest the geothermal energy



Guðlaugur Þór Þórðarson
Minister of the Environment, Energy and Climate

and we succeeded. The same thing is true as we face current climate challenges that require new innovations to address them. With the Carbfix project, we are turning carbon dioxide into rock. It is something that we are proud of, it is working and we see it as a big part of the global solution when it comes to climate change.

How important is Iceland's sustainable electricity mix for the stability of its economy?

You cannot underestimate how important it is. If we hadn't gone through our hydropower and geothermal energy transitions, we would have much more pollution in our cities and municipalities, we would not be as competitive and we would have had major inflation during the current global energy crisis.

Then again, we would have been in an even better situation if Iceland had finished its energy transition: if every car was electric and we had e-fuels for our fishing vessels and our flights. That's where we are going and nobody in the country would regret these decisions.

However, we need to balance this with ensuring the sustainability of our natural environment. We love our natural spaces and a lot of other people come here to enjoy them too.

If we don't keep a careful eye on, for instance, our forests, we could impact bird life and other parts of the extremely delicate natural ecosystems of Iceland and the Arctic.

Last November you appointed the renowned Thor Sigfússon as chair of a new committee tasked with presenting proposals for imple-



70% of Iceland's electricity comes from hydropower.

menting a circular economy in the country. Sigfússon is best known as the founder of the Iceland Ocean Cluster, a startup and innovation hub that is driving the uptake of sustainable and zero-waste technologies in the fishing industry. Why did you select Sigfússon for your committee?

I appointed him because Iceland can do a lot better when it comes to the circular economy, although fisheries is an area where we

GUÐLAUGUR ÞÓR ÞÓRÐARSON
MINISTER OF THE ENVIRONMENT, ENERGY AND CLIMATE

"With the Carbfix project, we are turning carbon dioxide into rock. It is something that we are proud of, it is working and we see it as a big part of the global solution when it comes to climate change."

have made good progress. Around the world, about 50% of the fish caught is used. In Iceland, however, we use almost 100% and what's so fascinating is that some of the parts we used to throw away are now more expensive than the fish fillets we kept.

Sigfússon's job on the committee is to try to use the same ideology to create a circular economy in other Icelandic sectors. To do this, we need new innovations, because things that have

been successful in other nations have usually been in cities with large populations. Iceland, on the other hand, has relatively few people in a big country. That means, for example, we have less waste and you need to travel long distances to collect that waste. So we need to find new ways to use it that are economically beneficial for us.

When we have achieved that, our solutions could also be used in other parts of the Arctic, which is a huge part of the globe where about 4 million people live in small municipalities, and this is something we are putting great emphasis on. Thor has done fantastic work with the Ocean Cluster and I know that he and his team will do a great job when it comes to other areas of the circular economy as well.

How crucial is cooperation with the US to Iceland?

I put great emphasis on both public and private bilateral cooperation between Iceland and the US when I was Minister for Foreign Affairs and I'm very pleased that this bore fruit. It's definitely in the interest of both nations, and the world as a whole, for us to work closely on global challenges such as climate change, security and the sustainability of the Arctic.

Historically, there have been very strong relations between our two countries and Iceland is a good place to do business for many reasons. For instance, it's simple to get things done, as everyone is just a phone call away, and we have amassed expertise in important areas, such as geothermal energy and carbon capture, that can definitely be of use in the US.



1912 serves chefs with around 4,000 unique products.

Strong Icelandic demand for US FMCG products

Leading wholesaler 1912 is a competitive partner of the world's biggest grocery and beauty brands

The distribution of fast-moving consumer goods in Iceland is dominated by about five players, one of which is among the nation's oldest and most successful family owned businesses. Named after the year it was founded, 1912 was established by two individuals who traded Icelandic fish for Danish products. By 1945, the company was importing foods from international partners like General Mills and, today, it is a highly efficient management company with three pillars of operation.

The first is Nathan & Olsen, which imports major grocery and beauty brands into Iceland and sells them into the retail trade, says Ari Fenger, CEO of 1912 and the fourth generation of his family to lead the company: "The second is Ekran, which supplies the food service industry. It acts as a total solution to chefs in Iceland and serves them with around 4,000 unique products. The third pillar is Emmissan, an ice cream manufacturer with a 61-year history in the Icelandic market that we acquired in 2019."

Fenger has been at the helm of 1912 for 15 years, during which time the company has tripled its revenues and made a number of other strategic acquisitions. He reveals the keys to success in his business: "You must have a passion for what you do, it's important to have good people on hand who can help you and your company grow, and to have the right partners. We are proud to be working with the world's leading FMCG companies and that gives us competitiveness."

Other factors include 1912's cutting-edge information-technology systems, its infrastructure and a company-wide ambition to continuously develop and improve. "We are always adapting to market needs and trying to figure out new ways to grow and give better service to our customers. Trends happen fast in this



Ari Fenger
CEO, 1912

industry and we are competing against warehouses in the UK and Scandinavia; if we can't offer the right prices to Icelandic retailers, they will buy the same brand from somewhere else," Fenger explains.

In addition to being CEO of 1912, Fenger is chair of the Iceland Chamber of Commerce and a board member of the American-Icelandic Chamber of Commerce, making him the ideal person to comment on trade and investment opportunities for US firms in the Nordic nation: "There is strong demand and a very positive attitude in Iceland toward US products. Iceland is also a very interesting market for investors. We have a healthy economy, skilled workforce, green energy and there are so many interesting things going on here. I'm sure that if readers are looking for investment opportunities in a growing, sustainable economy, Iceland is a place worth looking into."

Grid investments facilitate fossil-free future

As Iceland bumps up its production of green electricity, Landsnet will continue to ensure the nation can rely on secure power supplies

The central component of Iceland's 100%-green electricity system is Landsnet, which reliably ensures the nation has more than 99.99% security in its power supplies. "We are the only transmission system operator (TSO) in Iceland and we cover the whole island, connecting all the generation in the country to all villages, towns and large industrial users. Our grid is extremely important infrastructure for the country," asserts Landsnet CEO Guðmundur Ingi Ásmundsson.

In 2022, the Icelandic state acquired a large parcel of Landsnet's shares, taking its total ownership of the company to over 93%. Prior to this, the TSO that amassed \$32.5 million in profit last year had been owned by a group of energy generators. The state's purchase was made to guarantee Landsnet's impartiality, in line with European regulations, Ásmundsson notes: "While the previous owners didn't influence us, our independence will help us build trust with market actors, while everything else should stay the same: we will continue to be an efficient business entity thinking about efficiency every day."

Ramping up grid capacity

State ownership has certainly not changed Landsnet's plans to invest around \$1.1 billion over the next 10-15 years in the nation's grid, which currently includes over 3,300 kilometers of transmission lines and 86 traditional and digital substations. "We are an infrastructure company, so we are always planning up to 30 years ahead. The government has a vision of Iceland becoming carbon neutral by 2040 and we are only going to be using clean energy in the country. That means we will probably need to double electricity generation within 10-15 years and Landsnet will need to have the grid capacity to transmit it to wherever it's required," he states.

To meet the country's future demands, generating companies are building up production from the natural resources that supply Iceland with all of its electricity at the moment: hydropower and geothermal energy. In addition, wind farms are now being realized in the country for the first time, bringing with them new challenges that Landsnet is addressing. Not the least of these is that wind power is a fluctuating energy source, which requires balancing. This entails further modernization of the grid, although the company is already ahead of other nations' TSOs in its utilization of digital technologies for grid control.

Landsnet is also continuing to invest in firming up security of electricity supply. "Iceland is



Guðmundur Ingi Ásmundsson
CEO, Landsnet

in the middle of the North Atlantic Ocean and the weather can be quite unstable here. To better withstand storms, our transmission lines are now built much more robustly, we need to double our connections to all major users in the country and we are phasing out outdoor substations for indoor ones. Around 65% of our substations are currently indoors and our plan is that they will all be within 15 years," Ásmundsson states.

GUÐMUNDUR INGI ÁSMUNDSSON
CEO, LANDSNET

"We will probably need to double electricity generation within 10-15 years and Landsnet will need to have the grid capacity to transmit it."

Iceland's robust supply of stably priced sustainable electricity coupled with its ambitions for climate neutrality have attracted many international investors working in sectors as diverse as wind power generation, data centers and heavy industry, the CEO says: "There is a lot of interest from abroad from companies that are environmentally responsible in their operations. We are building up a first-class, high-quality energy system and Iceland has an opportunity to be the first country in the world to be more or less independent of fossil fuels — that's a unique benchmark."

Major development projects across all modes of transport

Icelandic investments in airports, seaports, roads and logistics facilities will cement its position as the Atlantic hub for transportation

Iceland's strategic location between North America and Europe has made it a vital transportation hub for traffic crossing the Atlantic Ocean since the time of the Vikings — a fact recognized by the US military during World War II when they built the foundations of what has become the main gateway into the country: Keflavik International Airport (KIA), which lies about 40 minutes from the capital Reykjavik.

Constant maintenance and upgrading of the vast island's transportation systems is crucial to enable easy access to and from the country, as well as to ensure full mobility within Iceland. Unfortunately, public spend on transportation fell behind for some years after the global financial crisis of 2008.

"Iceland's dire economic situation led to cuts in infrastructure investment, which coincided with an unprecedented rise in tourism that quadrupled in only seven years. This created a great accumulated need for infrastructure investment, both in new construction and in maintenance. We needed to act fast to prevent this situation from affecting society adversely and so the transport budget was increased as well as direct investment in projects," explains Minister of Infrastructure Sigurður Ingi Jóhannsson.

Revised plan for transport

Every three years since 2011, the Minister of Infrastructure has introduced a revised National Transport Plan (NTP) to parliament and Jóhannsson presented his latest proposed revision in June this year, which covers 2024-2038. "We put great emphasis on continuing the ambitious plans of the NTP, which prioritizes increasing safety in transport, as well as promoting regional development, inclusiveness and reducing our carbon footprint. Our NTP includes a 15-year investment program and many large, important infrastructure projects that are on the horizon."

This government investment program amounts to nearly \$7 billion, almost \$2 billion of which is allocated to be spent by 2028. But one major project that is not included in the



Sigurður Ingi Jóhannsson
Minister of Infrastructure

NTP's program is the ongoing development of KIA, a facility that is financially fit enough not to need government subsidies to fund its investments. KIA is expected to welcome about 7.8 million passengers on their way to or from around 80 global destinations this year and the airport's operator, Isavia, is currently overseeing a 30% expansion of the airport's terminal, which is expected to be completed by early 2024.

Among the operator's longer-term plans is a third runway; areas for the production, storage and distribution of sustainable energy sources for aircraft; and a substantial new logistics hub, Diamond Gate. In conjunction with KIA's expansion, Isavia, the government and two municipalities have collaborated on a masterplan to transform the wider area around the airport into an integrated mixed-use development zone that fosters green innovation in aviation, energy and technology.

Heavyweight projects that are included in the NTP funding program, however, include considerable enhancements of Iceland's next three most significant airports, which have only received limited investment in recent times in comparison with KIA: Reykjavik that



Major investments are going into the country's roads.

is just a mile from the capital, Akureyri in the north of the country and Egilsstaðir in the east, Jóhannsson states: "We are introducing an alternative airport fee, a new source of revenue that will allow us to fund these important upgrades, which focus on their role as alternatives to Keflavik Airport." Icelandic ports are also set to gain from improvements, with \$5.8 million being allocated to them by 2028.

Partnerships in infrastructure

The largest beneficiary of the NTP is land transportation, where improving safety is a particular concern that is being addressed. "We're separating out traffic lanes, effectively creating Iceland's first true highways. Major strategic investments are currently underway in the Westfjords region, where the Vestfirðavegur road is being improved, which is vital for regional development and should serve as the main route between the northwest of the country and Reykjavik for residents, tourists and exports in the future," he says.

Among many other road, bridge and tunnel initiatives in the pipeline, two of the most notable are a 8.4-mile tunnel between Seyðisfjörður and Egilsstaðir in the east, which will be one of the longest road tunnels in Europe, and Sundabraut, a project that will dramatically reduce travel times between districts of Reykjavik that lie on opposite sides of Kleppsvík bay.

"Sundabraut will be the single biggest project in the country for decades. Preparation is already underway, but we intend the project to be tendered out as a public-private partnership (PPP) between 2024 and 2025. We expect to begin the construction in 2026 and it will take at least five years to complete," notes Jóhannsson.

In cooperation with local municipalities, the state is investing heavily in the capital area's transport infrastructure, not just in terms

of roads, but also public transport and cycling infrastructure, he adds: "A key project in this is the new dedicated Borgarlína Bus Rapid Transit system, which should improve public transport in the area, support a more diverse transport modal choice and reduce our carbon footprint."

Well aware of the need to limit government spending in order to balance the public books and to combat inflation, the Ministry of Infrastructure is working on introducing new ways to finance the country's road transportation projects. These include road tolling, congestion charging within the Reykjavik area and looking at pivoting the tax system toward use of roads rather than diesel and oil fuels, to take account of the rising number of electric vehicles in Iceland, which is causing a drop in tax revenues.

SIGURÐUR INGI JÓHANNSSON
MINISTER OF INFRASTRUCTURE
"Our National Transport Plan includes a 15-year investment program and many large, important infrastructure projects that are on the horizon."

Partnering on investments is also seen as important and dedicated PPP legislation has been implemented that lists Sundabraut plus five other infrastructure projects that can be prepared and tendered out. As Jóhannsson makes clear: "The Icelandic government has every intention of maintaining a high level of investment in transport infrastructure in the coming years to make sure our transport system supports the continued growth and prosperity of our society."

Low-cost airline connects US to Europe

The rapidly expanding FlyPlay has made flights between North America and Europe via Iceland hassle-free and affordable

Only launched in the summer of 2019, the new Icelandic airline FlyPlay is already a remarkable success story. In the second quarter of this year, it flew 392,000 passengers between 34 destinations in North America and across Europe via Iceland on planes that were 85% full on average, with even higher load factors on its flights to and from its North American destinations: Boston, Baltimore, New York, Washington DC and Toronto. Over 2023 as a whole, it expects to carry 1.5-1.7 million passengers, generate revenues of \$280-\$310 million and achieve positive earnings before interest and taxes.

The well-capitalized listed company is growing quickly, introducing 20 more routes in the second quarter of 2023 alone. "Play is a startup with ambitious plans. However, the aviation industry demands caution when it comes to rapid expansion, given the scale of operations," stresses CEO Birgir Jónsson, a man with extensive international management experience in various industries, including aviation. "To avoid getting sidetracked, my approach is to be down to earth and old school. We pride ourselves on being a low-cost airline and, as a result, we maintain a laser-sharp focus on cost management, adopting similar business practices that have proven successful in other companies. Our strength lies in having a well-defined objective and clear business plan that we're executing."

Play's business plan is based on a hub-and-spoke model, with Keflavik International Airport in Iceland acting as its strategically located hub midway between the US and Europe.

Unlike the airline's point-to-point direct-flight competitors, this model means Play can use smaller aircraft and facilities, which lowers costs. "For example, instead of having to find



Birgir Jónsson
CEO, FlyPlay

300 people in Berlin who want to fly to Boston in a day, we need only to find 10 people there, 10 people in Paris, 10 people in Copenhagen and so on. We then gather them in Iceland and fly them to the US or vice versa. By serving smaller segments of the market and efficiently utilizing connecting hubs, we can offer competitive prices. As a result, Play is currently offering the most affordable option to Europe from North America, specifically from Toronto and New York," Jónsson explains.

The airline's business model has been resilient to global challenges such as increasing fuel prices, with strong demand continuing from the US to Europe that is being bolstered by the extremely favorable currency exchange rates available for American travelers at the moment. Play

has not experienced a slowdown in European traffic to its home country either, despite current economic challenges in some of its markets on that continent. "Our business model allows us to be adaptable and to shift our focus accordingly. Iceland is known for its stability and as a bucket-list destination, and we've been able to attract tourists who are less sensitive to economic fluctuations," he says.

"Private companies, especially airlines like us, play a crucial role in driving tourism to Iceland and Play is attracting a diverse profile of travelers to the country due to our younger image and low-cost offerings. This has garnered positive feedback from the Icelandic tourism industry, which has noticed a boost in tourism resulting from Play's influence."

The startup airline has also become hugely popular with the Icelandic population. In 2022, the company accounted for about 25-30% of local flight passengers and that figure had risen to 54% by June 2023. "It's especially encouraging to see that Icelandic people traveling abroad choose to fly with Play, which signifies a strong endorsement of our new brand by the local market," Jónsson enthuses.

Best low-cost airline in Northern Europe

Whether they come from Iceland, the rest of Europe, North America or elsewhere, Play's passengers agree that there is much more to the airline than just bargain prices — as evidenced by the fact that it was recognized as the best low-cost airline in Northern Europe at this year's prestigious Skytrax World Airline Awards, which are based on overall customer satisfaction. In contrast to many of its international competitors, for example, over 80% of its flights were on time in July, the busiest month of the year for aviation.

"We strive to make our passengers feel valued and appreciated and we want the experience of flying with us to be hassle-free, making it simple for passengers to reach their destinations quickly, affordably and in a safe, clean and secure manner," reveals the CEO. "Furthermore, we prioritize the happiness of our workforce. Play prides itself on being a modern company and

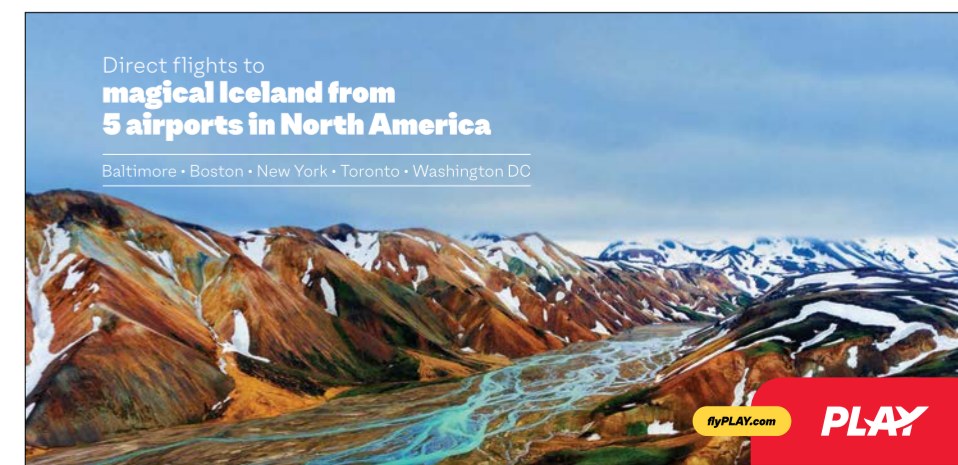
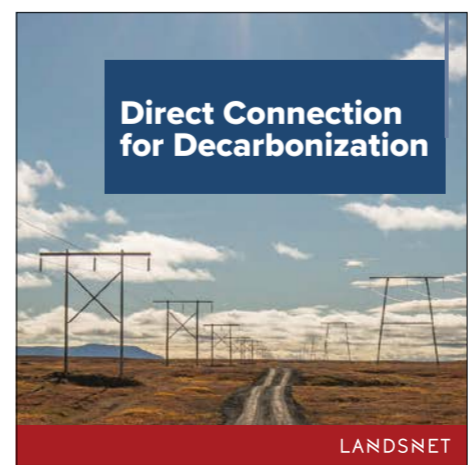
we encourage our staff to be the best version of themselves. For instance, our uniforms for cabin crew are non-gender specific, they wear white trainers and tattoos are accepted. We were one of the first airlines in the aviation industry to introduce this more inclusive approach to uniforms. We are winning awards for gender ratios and inclusivity as well, and we invest significant resources in fostering a healthy workplace culture. We aim to be at the forefront of technology and digital advancements, while also maintaining a laid-back and professional atmosphere."

Play is also at the front of its industry when it comes to environmental sustainability, thanks to its fleet of 10 state-of-art Airbus planes. "Play has the youngest fleet of any airline in Europe, so it's easy for us to say that we're leaders in sustainability because our aircrafts are new, fuel ef-

BIRGIR JÓNSSON
CEO, FLYPLAY
"This year, we're expanding our offerings to Dallas and Washington DC. Additionally, we'll be adding flights to Toronto and more US destinations in 2024."

cient and equipped with the latest technology. However, the aviation industry often focuses its sustainability discussions on the age of aircraft, which could be seen as a form of greenwashing. We believe that there's much more we can do and are committed to exploring additional measures to enhance our sustainability practices. Being a responsible corporate citizen is of utmost importance for us," asserts Jónsson.

Going forward, Play's plans for growth primarily target North America, he divulges: "This year, we're expanding our offerings to Dallas and Washington DC. Additionally, we'll be adding flights to Toronto and more US destinations in 2024. Our main focus is on connecting the US with Europe, while also considering opportunities in the Canadian market."





The Northern Lights are best enjoyed between September and April.



The glacial Studlagil canyon is lined with magnificent basalt rock columns.

Out of this world experience

Since the turn of the century, Iceland has been one of the most popular tourism destinations as visitors flock to enjoy its amazing scenery

Known in tourism marketing shorthand as the Land of Fire and Ice, the countless breathtaking landscapes dotted across Iceland's often ferocious terrain range from thundering waterfalls, active volcanoes, erratic geysers, towering mountains and vast glaciers that creep across huge plains.

Over the past decade or so — and despite the major disruption caused by the COVID-19 pandemic — Iceland's reputation as a tourism hotspot has grown impressively as word of its unmatched natural treasures has spread far and wide. At the same time, the increasing appetite for adventure among vacationers of all ages and growing interest from outdoor enthusiasts has made it a leading tourist destination.

This positive development is also reflected in the many international airlines that now run regular services to and from the island from other European countries and continents. Many will land or take-off from Keflavik International Airport close to the Nordic capital, Reykjavik. In turn, the government and private sector has invested substantial sums in tourism-related infrastructure, especially the supply of accommodation, which at one point was struggling to keep up with visitor demand.

"We have been strengthening the infrastructure of our tourism sector and also ensuring that our nature is protected," confirms Prime Minister Katrín Jakobsdóttir. "First and foremost, people are coming here because of our amazing nature; that is the main reason."

Cabinet colleague Bjarni Benediktsson, Minister of Finance and Economic Affairs, echoes this view and adds: "The tourism sector was particularly hard hit by the pandemic, but when tourists were ready to return to Iceland, the essential services and facilities were in place to welcome them."

Visitor numbers rocket on space campaign

This last point is illustrated perfectly by data collected by the Icelandic Tourist Board — which is keen to promote the importance of sustainable tourism — the total number of foreign overnight visitors was more than 1.7 million in 2022, a 146% increase from 2021, when foreign visitors totaled just over 700,000. For 2023, around 2.5 million visitors are expected to arrive via planes and cruise liners.

It is not just the sheer number of arrivals that has been hugely positive, as feedback from tourists revealed they were eager to return and explore more of the country's wonderful landscapes and formations, while also highly recommending a visit to family and friends.

KATRÍN JAKOBSDÓTTIR
PRIME MINISTER

"First and foremost, people are coming here because of our amazing nature; that is the main reason."

One of the phrases often used to describe Iceland's scenery is "out of this world," which is apt given that one of the first sights that greets visitors arriving by air is a moon-like landscape. Unless hidden by winter snow, a seemingly endless lava field topped with green-grey moss blankets much of the Reykjanes peninsula that turns out to be a teaser for all that Iceland has to offer visitors. Late last year, tourism chiefs launched an innovative marketing campaign that saw a special billboard lifted into space by a huge weather balloon. Dubbed Mission Iceland, the billboard aimed to encourage potential space tourists to consider Iceland as a viable alternative offering the chance to soak up incredible earthbound wonders without the need to launch themselves into the stratosphere.

Sigríður Dögg Guðmundsdóttir, head of the official destination marketing office Visit Iceland, said of the campaign, which made headlines across the world: "You don't need to leave Earth to have an experience that is out of this world. There are otherworldly adventures to be found right here in Iceland, where you can enjoy the same lunar landscapes that NASA astronauts used as a training ground before the inaugural spacewalk."

"We've seen an increase in the popularity of space travel over the last two years, and some even believe that this is the future destination of the super-rich. We want to put this trend into perspective and point out that you can experience the unexplored beauty here in Iceland and many other things that are unique in the world."

Due to its favorable data for road trips and the lowest population density in Europe that means highways are almost empty, many visitors opt to hire an automobile to see as much as the country as they can, although campervans and 4x4 vehicles are considered by many as the best way on wheels to see the "real" Iceland.

Not only do they allow users to get off the beaten track, such transport provides far greater flexibility when it comes to choosing itineraries and adventures, meaning you can park up in designated areas and wake up to a different view every morning.

Hit the highway for a road trip of a lifetime

Iceland is not just famous for abundant elements like fire and ice; as the country is also referred to as the Land of Light and Darkness. Long summer days with near 24-hours of sunshine are offset by short winter days with only a few hours of daylight — the perfect scenario for enjoying the magical Northern Lights.

Official statistics show that after flying into the capital and spending some time exploring the city's incredible cultural and historical delights, the majority of visitors then head east on

coach tours or in car/campervan rentals as they embark on journeys along the well-maintained national Ring Road.

The famous highway is 825 miles long, entirely paved and takes drivers and their passengers across all regions — except the Westfjords and Snæfellsnes Peninsula — and since it forms a circle, you always end up where you started.

The first set of memorable sights lying in wait for travelers when heading counterclockwise along the extensive stretch of the south coast include many of Iceland's most popular tourist destinations. Known as the Golden Circle, the 200-mile-long sightseeing trail features the gorgeous Thingvellir National Park, the imposing Gullfoss Waterfall and the unique Geysir Geothermal Area.

Continuing east and after passing eye-catching black sand beaches, the nation's largest rhyolite formations directly accessible from an inhabited area are found close to Borgarfjörður Eystrí. Impressive magma chambers filled with colorful mineral deposits can be witnessed and visited along the eastern coast. From a cultural perspective, during the long summer months the eastern region becomes a creative hub for artists and young people from Iceland and abroad, as a variety of music and art festivals have popped up and expanded in recent years.



Strokkur is one of Iceland's most famous geysers.



The Snæfellsnes peninsula offers dramatic landscapes.



The Blue Lagoon geothermal spa is an unmissable attraction.

As the Ring Road swings to the left, a land of contrasts awaits visitors to the north of Iceland. Stunning valleys and peninsulas are interspersed with mountains, lava fields and smooth hills carved out by rivers, while the deep and numerous indentations in the coast of the north are at times lush with vegetation, at others barren. As one nears the Arctic Circle in the northern latitudes, the midnight sun is invariably awe-inspiring.

One of the most popular destinations in northern Iceland is Akureyri, frequently referred to as the Little Big City of Iceland. Home to less than 20,000 people, its collection of brightly painted wooden houses offers a warm welcome and boasts a rich selection of entertainment, art and culture, yet is still small enough to be personal and close to nature.

Indeed, the city is the ideal base from which to participate in whale watching tours and arctic sea angling tours. Just along the coast, similar marine-life-based adventures can be found at the beautiful little town of Húsavík. Other regional highlights include the Húsavík Whale Museum and the Seal Center in Hvammstangi.

Meanwhile, situated in the northern reaches of the Vatnajökull National Park, the spectacular Ásbyrgi Canyon and the Dettifoss Waterfall — the most powerful in Europe — provide plenty of photo opportunities and chances to boost your social media accounts with shots of yet more natural wonders.

Heading west for the best flora and fauna

West Iceland is undoubtedly one of the island's more geologically diverse regions, featuring everything from slumbering volcanoes, hot springs, valleys and caves, fjords and majestic waterfalls to great wildlife and flora.

Popular with hikers and outdoor enthusiasts, the area is home to Snæfellsjökull National Park — named after the mystical ice-capped volcano that dominates the skyline from miles away — which is Iceland's only national park that reaches the sea.

SIGRÍÐUR DÖGG GUÐMUNDSDÓTTIR
HEAD OF VISIT ICELAND

"You don't need to leave Earth to have an experience that is out of this world. There are otherworldly adventures to be found right here in Iceland."

Even further west are the Westfjords, a natural unspoiled wonderland so special and unique that it scooped the coveted title of Best in Travel in 2022 from the famous Lonely Planet travel guide book organization. "The Westfjords is where Iceland's dramatic landscapes come to a riveting climax and where mass tourism disappears — only about 10% of Iceland's visitors ever see the region," the prestigious publication enthused about the remote area.

Travel companies in the Westfjords are mostly family-run by former farmers or fishers. As a result of their success, young people now see opportunities in tourism that able them to continue living in their remote home region, where as many before had to consider relocating.

The Westfjords peninsula is a true Icelandic wilderness area and undoubtedly the ideal place for spotting birds and arctic foxes in their natural habitats and exploring the dainty sub-arctic flora of Iceland. Látrabjarg, on the southwest side of the Westfjords, is Europe's largest bird cliff and home to more than a million seabirds, including puffins, guillemots and the biggest razorbill colony in the world.

The bird cliff is a breeding area for up to half of some of the species' global populations and is therefore listed as an internationally important bird area and a nature reserve. Látrabjarg is also Iceland's furthest point to the west and one of Europe's westernmost outposts.

Geothermal region is hottest destination

The geological wonder that is the Reykjanes Peninsula is an area where, rather incredibly, lighthouses outnumber villages. As well as hosting the world-class Keflavik International Airport and a famous geothermal pool, the Blue Lagoon, the region is a hugely popular tourist destination in its own right, and a UNESCO Global Geopark.

This special status recognizes the region as a cultural, geographical and historical treasure trove that is worthy of exploration. Featuring endless lava fields, craters and a treeless environment, the area produces much of the country's electricity and is also a veritable hotbed of recreational activities.

Arriving back in Reykjavik and the urban sprawl known as the Capital Region, where roughly two-thirds of Iceland's population of 370,000 people live, visitors can return their hire cars and campervans. And as you would expect in such an environment-focused country, the vehicles available to hire are increasingly electric. "With tourism being a fast-growing industry in Iceland, it's crucial to encourage sustainable travel," stresses Guðmundsdóttir. "Sustainability is a serious matter, but it doesn't mean we have to stop doing fun things or enjoying life while traveling."