20 years of carbon pricing in Sweden
1991 – 2011
History, current policy and the future
Brief historic background on Swedish carbon taxation

- **Focus on energy taxes as policy instruments:**
  - 1991 CO₂ tax and sulphur tax on fossil fuels, along with existing energy tax. Part of major general tax reform.

- **Increased tax levels and fine tuning of tax system to ensure cost-effective taxation**
  - 1991 and onwards ……
  - Focus on gradually increased CO₂ tax rate
  - Two levels of taxation for heating fuels, per ton CO₂
    - high for households and service (27 € in 1991; 114 € in 2011)
    - *low* for sectors subject to international competition and carbon leakage = industry, agriculture and heat production in combined heat and power plants (CHP). In 1991: 7 €; in 2011 outside EU ETS 34 €, within EU ETS 0 € industry, 8 € for CHP. Energy tax for industry within EU ETS used to fulfil EU minimum tax levels.
Development of the Swedish CO₂-tax

*general level and industry level*

from 2008 industry outside EU Emissions Trading Scheme (EU ETS)
Looking ahead ....

Swedish CO₂ taxation policy design in the future

- CO₂ taxation system based on logical and coherent economical principles
  - Cost effectiveness; Robust framework which enables necessary changes to reach 2020 targets and walk the road towards 2050 vision.

- EU ETS sectors: No CO₂ tax (climate and renewable targets)

- Non EU ETS sectors: CO₂ tax (climate and renewable targets)
  - One price for carbon emissions irrespective of fuel and use = same tax level €/kg CO₂ for motor fuels and heating fuels (carbon leakage may be addressed).
  - More effective environmental taxation by less reductions of tax levels for industry and agriculture; if need be, raised general level of CO₂ tax.
Looking ahead: Swedish views on carbon pricing

• General agreement that carbon pricing is necessary
• Preference for demand side measures (deeper commitments)
• Support for improved CDM and new mechs
• Current outlook for prices and domestic action
• Gap between carbon price and non-ETS sector tax will likely increase