

20 years of carbon pricing in Sweden

1991 – 2011

History, current policy and the future



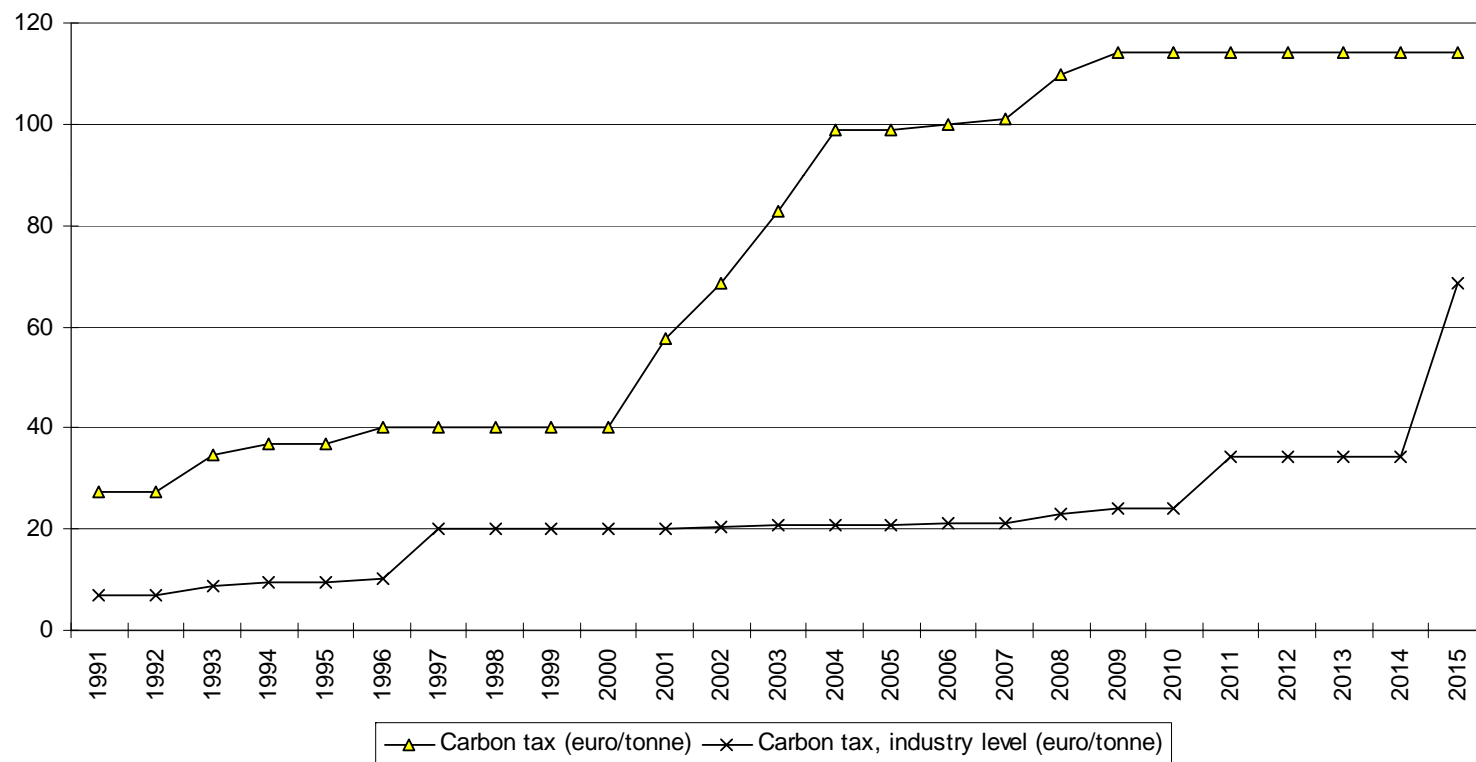
Brief historic background on Swedish carbon taxation

- **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.

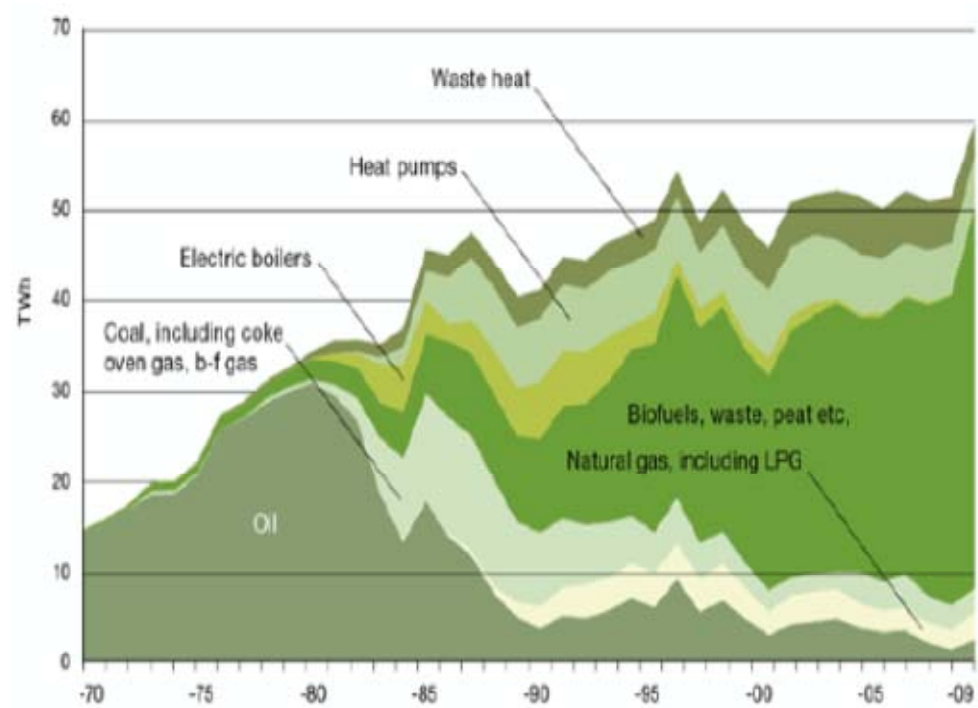
Development of the Swedish CO₂-tax

general level and industry level

from 2008 industry outside EU Emissions Trading Scheme (EU ETS)



Energy supply for district heating in Sweden, 1970–2009



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