Lessons Learned from 28 Years of Carbon Taxation

Experiences in Sweden
Reasons for Taxing Energy in Sweden

• Until 1980’s: Primarily fiscal purposes
• 1990’s and onwards: Environmental issues given high priority by Government and citizens

• Now
  • Energy tax: Fiscal and energy efficiency
  • Carbon tax: Climate
28 Years of Carbon Taxation

- **1988-1989** Committee of inquiry
- **1990** Governmental Bill and Parliament decision
- **1991** Carbon tax introduced
- **1995** EU Membership
- **2005** EU ETS

- **2001-2006** Green tax shift
  - Raised environmental taxes
  - Cuts in income taxes
- **2007-**
  - Increased environmental taxes
  - Phasing out CO2 tax reductions
- **2019** Government presents new powerful green tax shift
Swedish Carbon Pricing

- Carbon tax on motor fuels and heating fuels
- EU Emission Trading Scheme (EU ETS) since 2005
- Approximately 95 % of Swedish fossil carbon emissions are covered by carbon tax or EU ETS
Development of Swedish Carbon Tax

Note: from 2008 industry outside EU Emissions Trading Scheme (EU ETS)
Distributional Effects

**Households**
- Fossil heating fuels have been phased out
- Major challenge remains as regards motor fuels
- 95% of current carbon tax revenues from motor fuels
- Income tax reductions for low and middle income citizens

**Businesses**
- Inside EU ETS
  - No carbon tax for industry
  - Lower carbon tax for heating sector
- Outside EU ETS
  - Step-wise increase to general carbon tax level
  - Large shares of manufacturing industry’s use of energy consist of bio fuels and electric power
Benefits of a Carbon Tax

• Effective tool to reduce emissions
• Easy to implement. Easy to administer for authorities and operators
• The domestic consumption is the tax base
• Polluter pays principle
• Limited number of tax payers
• Revenues to state
Experiences from Sweden

- Reduced emissions can be combined with economic development and prosperity
- Step-by-step approach
- Give time for adaptation
- Provide feasible options
- Co-operate within government offices
- By leading the way we hope to make more countries follow suit
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