

# 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

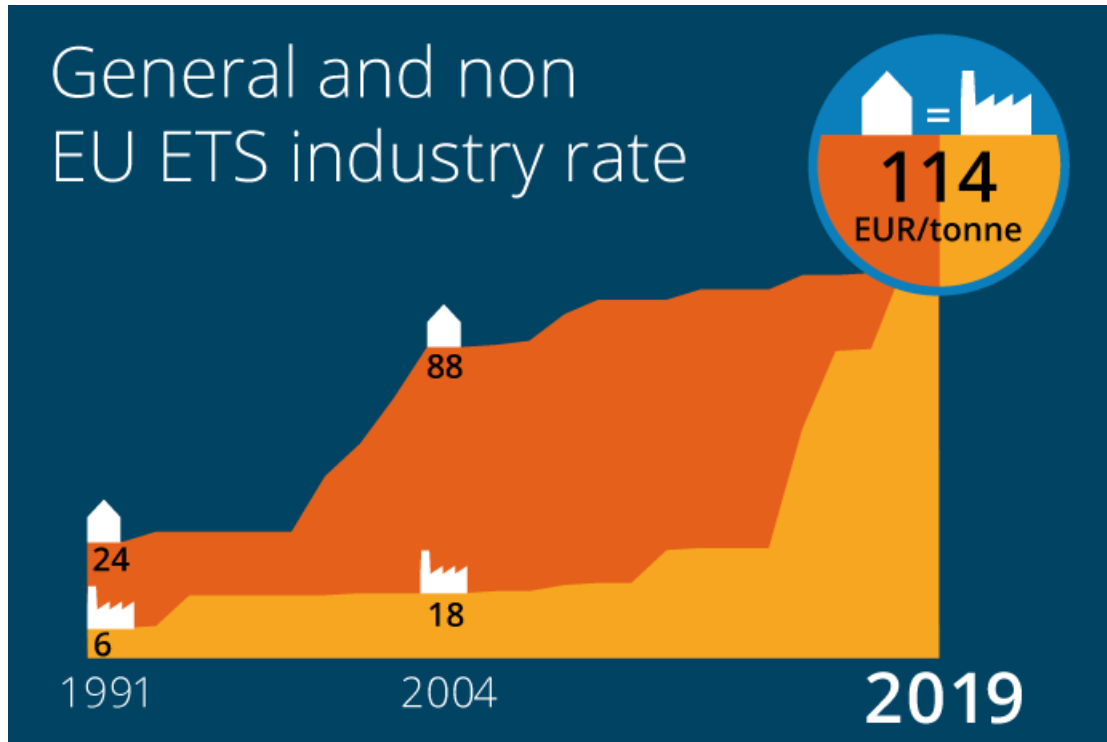


# Swedish Carbon Pricing

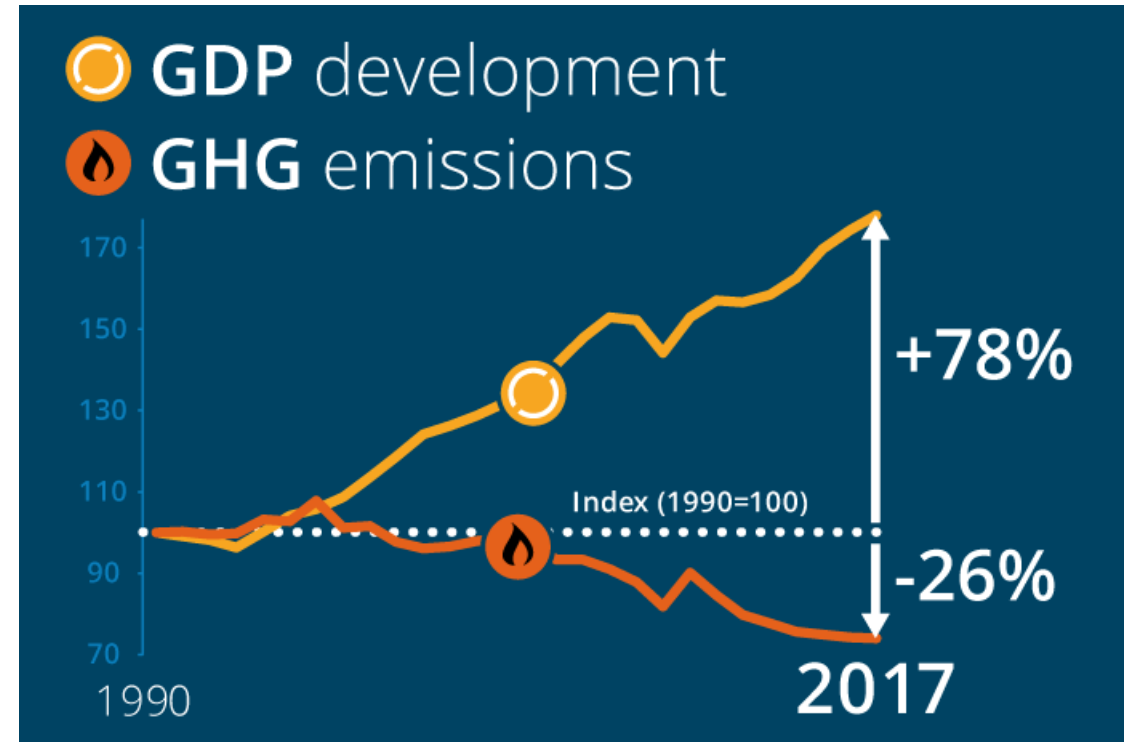
- Carbon tax on motor fuels and heating fuels
- EU Emission Trading Scheme (EU ETS) since 2005
- Approximately 95 % of Swedish fossil carbon emissions are covered by carbon tax *or* EU ETS



# 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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