Sweden’s revenue from environmentally relevant taxes is below the average in the EU. Environmental taxes stood at 2.06% of GDP in 2019 (EU-27 average: 2.37%). The largest portion of the environmental taxes were the energy taxes at 1.56% of GDP, against an EU average of 1.84%. Transport taxes represented 0.45% of GDP (exactly at EU average), and taxes on pollution and resources were at 0.05% which is below the EU average of 0.08%. In the same year, the environmental tax came to 4.71% of total revenues from taxes and social security contributions (below the EU average of 5.76%).

The Swedish debate on environmental tax reform (ETR)

There was a debate on ETR during 2019-2020, but in recent years, the percentage of environmental taxes in total revenues from taxation have decreased, as can be read here: https://www.svt.se/nyhet/innrikes/andelen-miljokatter-minskar-i-sverige


Comments on this proposal by Deloitte: https://www2.deloitte.com/se/sv/pages/tax/articles/budgetpropositionen-2021-deloitte-kommenterar-skatteforslagen.html

And here is the decision on the budget proposal: https://www.riksdagen.se/sv/ra-funkar-riksdagen/riksdagens-uppgifter/beslutar-om-statens-budget/planen-for-hostens-budgetdebatter-ar-klar/
Examples of economic instruments

SULPHUR TAX

In 1991, Sweden implemented a sulphur tax. The tax is aimed at reducing SO2 emissions from combustion of peat, coal, coke and other solid fuels or gaseous products. Throughout the period 1990-2020, tax levels have remained constant at SEK 30/kg (€3.0) sulphur in solid fuels and SEK 27/kg (€2.7) for each thousandth of sulphur content by weight in oils2 (some types of use are exempted). If SO2 emissions are reduced by cleaning or binding to the ash, a part of the tax proportionate with the saved amount of SO2 emissions is reimbursed to the polluters3. A 1997 analysis of the reimbursement demonstrated that 44-57% of the revenue was reimbursed each year4. Total SO2 emissions in Sweden have decreased substantially since the tax introduction.

The background of the tax introduction: until the end of the 1980’s there was little interest in introducing environmental taxes in Sweden. However, at that time some major focusing events took place in the marine environment – e.g. there was a severe decline of the seal population. Additionally, there was a political focus in Sweden at the time at reducing income taxes since large segments of the population paid 80% in marginal tax rate. Environmental tax reform could pave the way for decreasing income taxes without incurring a too large budget deficit by generating revenue from environmental taxes and meanwhile contribute to solving environmental problems5. Consequently, environmental tax reform became part of the solution and a number of environmental taxes were introduced in Sweden during the 1990’s – in particular regarding energy taxation.

Sweden has a long tradition for including stakeholders. The Environmental Tax Commission (ETC) preparing the environmental tax reform (initiated in 1987) involved a broad representation of interests. Furthermore, when the commission in 1989 presented the conclusions, including proposals for NOx and sulphur taxes (and some other taxes), there was a comprehensive public hearing phase where a large number of stakeholders commented on the taxes6.

Source: Statistics Sweden 2021: https://www.statistikdatabasen.scb.se
in 1992, Sweden implemented a NOx tax on emissions from stationary combustion facilities, aimed at providing incentives to reduce emissions beyond the limit values, to combat acidification. All revenue generated from the charge is reimbursed back to the plants based on the amount of energy used at each plant in order to reduce potential negative impacts on competitiveness. Consequently, plants with low emission in relation to energy production are net receivers of funding, while plants with high emissions are net payers. Originally, the tax level was SEK 40/kg NOx emitted. In 2009, the tax level was increased to SEK 50/kg NOx emitted (€5/kg). Total NOx emissions in Sweden have decreased substantially after the tax introduction (table XX). According to the OECD, Swedish emissions of SOx and NOx per unit of GDP are among the lowest in OECD².

Similarly to the sulphur tax, the tax introduction followed discussions in the Swedish Environmental Tax Commission starting in 1987 and broader discussion in Sweden in the late 1980’s on environmental problems and potential environmental tax reform.

**Source**: Statistics Sweden 2021 [https://www.statistikdatabasen.se](https://www.statistikdatabasen.se)

The Swedish Environmental Tax Commission involved broad groups of stakeholders and the proposals from the commission went through a public hearing phase with many responses from stakeholders (see description above).
Key stakeholders

**NGOs** (environmental, consumer, green business networks, citizen science groups, etc.)

- The Swedish Society for Nature Conservation [https://www.naturskyddsforeningen.se](https://www.naturskyddsforeningen.se)
- Swedish Consumers’ Association [https://www.sverigeskonsumenter.se](https://www.sverigeskonsumenter.se)

**Useful links:**

7. OECD 2014. Sweden – OECD Environmental Performance Reviews. OECD.