

# Policy Proposal – Sweden



## 1. European Green Deal Solution preferred by Sweden

The key priority of Sweden is the international cooperation in establishing a potent environmental protection agenda, which in the case of Sweden and her governmental policy-making has taken steps towards since 1967 and has thus become the first one to establish it. [1] It is important that countries organize an institutional or legal monitoring system which would provide a rigorous assessment of their compliance with environmental goals set up and agreed upon by the whole European Union. For instance, in 2018 the so-called New Climate Act entered into force for Sweden and based on its assessment provided, Sweden's energy use efficiency will be 50% higher than that of 2005 and is targeted to attain 100% renewable electricity production by 2040. [2] Furthermore, considering the global temperature rise, Sweden is prepared to engage vehemently in international efforts of reducing temperature rise below 1.5°C above pre-industrial levels, the target previously stipulated by the Paris Agreement in 2015. [2] [3] Last but not least, along with the notion of the European Parliament, Sweden believes in setting rather more ambitious targets in terms of emission reduction throughout the entire EU region [4], with the total reduction of at least 50% and towards 55% compared with 1990 level by 2030. [5]

With regards to European Green Deal funding scheme proposed by the European Commission, Sweden as a country generally opposes any significant increasing of the budget, owing to the fact that it is predominantly reliant on huge private-sector investments whose estimated amounts by far exceed the average annual EU budget. [6] [7] The objective of Sweden is to motivate the European Green Deal to be directed at helping other member countries concentrate on decreasing current

unionwide actions concerning the carbon dependence of individual countries gradually (but sufficiently) with financial resources currently available, rather than promoting the need to initiate completely new environmental actions on international level. [8] Nevertheless, in case that a reasonable increase of budget would help more carbon-dependent economies reach agreed-upon targets adequately faster, Sweden is willing to agree with providing extra financial resources, i.e. favors budgetary increase.

## **2. Pros and Cons of Available Alternatives**

Due to inherent intercultural differences in terms of socio-political and economic background, it is more important than ever before to conduct a reliable and inclusive plan resulting in achieving climate-neutrality in 2050 with the least possible damage to the cohesion of both policy funds and countries' solidarity. All of the associated EU parties came to an agreement that to stop climate change from deteriorating, significant cut of greenhouse gas emissions and accounting for prospective damage to future generations are necessary.

In terms of budgetary decisions, Sweden agrees with Germany in respect that a clear classification of environmentally sustainable activities, and clarification of the investment outcomes will attract vital investments from the private sector to complement the budget, should it eventually be increased. For this reason, the cut of the cohesion funds should be reconsidered. The possibility of European Commission cutting the cohesion funds constitutes one of the reasons why Poland is not committing to the Green Deal targets at the required rate. As a country Poland feels neglected, since neither the former Commission, nor the existing one, have purportedly come up with a viable solution for countries highly reliant on coal.

The European Commission posits that the best way to make the climate policy credible is to make it rather strict. A viable solution implementable (relatively) in the short-run appears to be emphasis on renewable energy sources, i.e. biofuels, or gradual establishment of LNG terminals, like a new electro mobile revolution in car industry, which can have a huge positive impact on the ecological footprint.

Additionally, Sweden maintains that instead of agreements on flexible reductions more strict and precise policies ought to be implemented to avoid unnecessary compliance failures and ineffectual policy-implementation. For example, the failure of the European Commission's tax proposals from 1990s, in spite of their widespread support from environmental agencies, reminds us that even smart

environmental policy proposals may eventually not withstand their implementation process. Contrarily, Sweden already adopted relatively successful energy taxation system based on a combination of carbon dioxide tax and energy tax for heat production more than three decades ago. Moreover, Germany already began to transfer her focus on renewable energy, installing wind turbines and solar panels across the country, but remained, however, still highly dependent on the coal-fired power plants.

### **3. Solutions to Possible Issues Limiting their Acceptance by Other Parties**

To reach carbon neutrality by 2050, before aiming for more ambitious CO<sub>2</sub> emission targets, the problem of carbon leakage has to be solved primarily. Therefore, the EU should continue to proceed levying a tariff regime based on the ETS and thus transform the ETS in a quasi-carbon tax. According to the studies, The EU currently has the ETS system in place that reduces its European Emission Allowances (EUA) each year by 2,2%, to achieve the prior set target of a 40% reduction compared to 1990 levels. [15] Moreover, the EU should consider narrowing the price range of European Emission Allowances (EUA) and chose the lower bound as a non-volatile tariff-rate and also needs to aim towards reaching full border carbon adjustment. This policy would thus not only have the feature of incentivizing foreign firms to change their production methods but would also be in compliance with WTO regulations. [15] Thus, one solution has already been taken steps towards, just somewhat more ambitious target is called for.

However, some European countries such as Poland are likely to oppose to our policy because of the characteristics of their economy. [17] Nevertheless, the European Green Deal is a set of policy initiatives targeted also at providing financial help to poorer countries to establish a fair and prosperous society via the Just Transition Fund constitutes a promising way to turn climate and environmental challenges into opportunities, prospecting to mobilize at least €100 billion over the period 2021-2027 to provide help to most transition-affected regions. [5] That would mean new job opportunities, a cleaner environment and eventually higher well-being of future generations. [16] Furthermore, Sweden as a country has already undergone a similar transition and is thus ready to provide countries like Poland necessary guidance in the

form of both knowledge and technology. Lastly, the Swedish experience of carbon tax should be inspired upon as it shows that maintaining economic growth alongside emission reduction is possible. The carbon tax was first introduced at a rate corresponding to SEK 250 (€23) and has gradually increased over the years. During the period between 1990 and 2017 GDP increased by 78%, while domestic GHG emissions decreased by 26% at the same time. [19]

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