

Policy responses to combat energy poverty in Sweden

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The sharply increasing energy costs have become a major topic both in the media and in politics. Policy responses from the government have been both to reduce taxes on fuel and diesel, and to retrospectively compensate households for part of their electricity bills during the winter season. The compensation has a clear regressive distributional profile and can also be seen as conflicting with the green transition.

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Description

The concept of energy poverty has until recently been unfamiliar in Sweden. This is most evident in the government's integrated national energy and climate plan in which it is simply stated: "Sweden does not treat energy poverty differently from poverty in general and so has no specific objectives for energy poverty" (Government Offices of Sweden 2020). In other words, from a Swedish perspective, the traditional social protection schemes should make sure that the concept is irrelevant.

After a number of well-known external factors subsequently also hit Sweden and Swedish households, this position was seen in a new light. As fuel prices and energy prices started to sky-rocket in 2021, the topic became highly visible not only in the media but also on the political agenda. Here it is important to bear in mind the geographical location of Sweden, which makes energy consumption for heating particularly high during the winter season. Moreover, Sweden's large areas with low population density mean that increasing fuel prices can hit rural populations severely, as having a car is a necessity for everyday life in some regions.

The Swedish government's policy responses to this new energy cost crisis have mainly been of two kinds. First, taxes on petrol and diesel were reduced, to reach the EU minimum regulation on diesel. Second, a system of compensation for dramatically increasing electricity bills was presented by the government in January 2022 (Government Office of Sweden 2022). The reform means that all households having an energy

consumption of at least 700 kwh per month will receive a gradually increasing compensation, irrespective of price, in which the maximum amount is given to households having a consumption of 2,000 kwh per month. The reform was in effect applied retrospectively from 1 December 2021, for three months until the end of February 2022. The maximum amount to be granted for this three-month period in total was set at SEK 6,000 (~€570). Administratively, a very simple non-bureaucratic system for households was set in motion. The households did not need to do anything, but instead the companies automatically and in retrospect deducted the amount, according to the above formula, from the energy bills. The electricity companies must then apply to the State for reimbursement of the amount deducted, also receiving compensation for the extra administrative costs involved in these transactions. The government expected the cost of this reform to be close to SEK 7 billion (~€666 million). In May 2022, because of the acceleration of energy cost increases due to the War in Ukraine, the government proposed a slightly different model, with a lower ceiling (400kwh) and a lower maximum amount of SEK 1000 (~€95) to compensate households retrospectively for energy costs during March 2022. This additional compensation was aimed at households living in the regions hardest hit by increasing electricity costs, i.e. central and Southern parts of Sweden, areas covering approximately 2 million households.

The right-wing opposition parties have mainly been critical of the details of the compensation system, and in several cases suggested slightly different models, but were not opposed to the general idea of compensation. The Green and Left parties suggested that instead of this

compensation, housing allowances could be temporarily increased. Such an increase was subsequently also proposed by the government, to be implemented in the same way as during the pandemic (Fritzell et al. 2021). It was voted upon, and supported, by the parliament on June 22 and will apply from July to December 2022.

Outlook and commentary

Not only in politics but also from a research perspective, the concept of energy poverty has been regarded as irrelevant in Sweden. As noted by von Platten (2021), research into energy poverty is close to non-existent. The fact that heating costs in tenants' dwellings are normally included in the rent, irrespective of the actual costs for the household, has further added to the silence on energy poverty. It is notable that the issue of sharply increased energy costs has also surfaced in the ongoing political debate about old-age pensions. Although the pension issue and the calls – as well as the subsequent proposals – to increase pensions were raised before the more dramatic increase in energy prices, the political debate on pension increases, typically targeted at low-income pensioners, is now being justified with reference to the burden of high energy prices.

The chosen strategy, compensating households, has both pros and cons. The implemented model bears many similarities with typical features of the Swedish welfare state. It is relatively unbureaucratic, and is universalistic since it depends only

on actual energy consumption. But there are several critical comments to be made.

One criticism of the model of compensation concerns the distributional profile. Given the structure of the compensation model and since, as earlier mentioned, heating costs are normally included in the rent, very few households living in rented apartments will get any compensation at all, and low-income households are overrepresented in this category. Rents as such are regulated and set once a year after negotiations between the partners involved; due to increased energy costs and inflation in general, it can be expected that rents for 2023 will be increased much more than has been the case lately. Furthermore, most high-income households living in larger privately-owned homes will receive the maximum amount.

A second, more behavioural, normative critique is related to the pandemic. Quite a few temporary adjustments, with good justifications, were made to many social protection schemes during the pandemic (Fritzell et al. 2021). Now, shortly after these have terminated, compensation is again being provided for a new external unforeseen event. The population may expect to be compensated also for other unforeseen events in the future, and for increasing electricity costs also next winter.

Third, and perhaps most importantly, the policy response can be criticised in relation to the necessary "green transition" of our economies. This is of course most

evident in the case of attempts to reduce fuel and diesel prices, but similar criticism has also been voiced of the compensation for increasing electricity prices. Compensation for those with the highest energy consumption will not foster the necessary adjustments to carry out a green transition. If people are to adapt, it would be preferable to increase a more general support system to encourage this transition (Bergh, 2022). Moreover, experts on energy systems have also stressed that there is considerable scope to increase efficiency within the electricity system, and that policy instruments should instead be brought to bear to use electricity more efficiently (Öhlund, 2021).

Further reading

Bergh, A. (2022). [Mixtra inte med prismekanismen](#), Damberg, Svenska Dagbladet debatt, 22-03-17.

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Government office of Sweden (2022). [Press release: Kompensation för höga elpriser](#)

Öhlund, I (2021). [Professor: Stort slöseri med el i Sverige](#), Dagens Nyheter 2021-12-19.

Von Platten, J. (2021). [Energy Poverty in Sweden](#). EP-pedia Website on Energy Poverty.

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