C/2024/6834

29.11.2024

COUNCIL RECOMMENDATION

of 21 October 2024

on economic, budgetary, employment and structural policies of Sweden

(C/2024/6834)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(2) and Article 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 ([1]), and in particular Article 3(3) thereof,

Having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances ([2]), and in particular Article 6(1) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

(1) Regulation (EU) 2021/241 of the European Parliament and of the Council ([3]), which established the Recovery and Resilience Facility ('the Facility'), entered into force on 19 February 2021. The Facility provides financial support to the Member States for the implementation of reforms and investments, entailing a fiscal impulse financed by the Union. In line with the priorities of the European Semester for economic policy coordination, the Facility helps achieve the economic and social recovery and implement sustainable reforms and investments, in particular reforms and investments to promote the green and digital transitions and to make the Member States' economies more resilient. It also helps strengthen public finances and boost growth and job creation in the medium and long term, improve territorial cohesion within the Union and support the continued implementation of the European Pillar of Social Rights.

(2) Regulation (EU) 2023/435 of the European Parliament and of the Council ([4]) ('the REPowerEU Regulation'), which was adopted on 27 February 2023, aims to phase out the Union's dependence on Russian fossil fuel imports. This would help achieve energy security and diversify the Union's energy supply, while increasing the uptake of renewables, energy storage capacities and energy efficiency. Sweden added a new REPowerEU chapter to its national recovery and resilience plan in order to finance key reforms and investments that will help achieve the REPowerEU objectives.

(3) On 16 March 2023, the Commission issued a communication entitled 'Long-term competitiveness of the EU: looking beyond 2030', in order to inform policy decisions and create the framework conditions for increasing growth. The communication frames competitiveness in terms of nine mutually reinforcing drivers. Among those

([1]) OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj.
([2]) OJ L 306, 23.11.2011, p. 25, ELI: http://data.europa.eu/eli/reg/2011/1176/oj.
([3]) Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI: http://data.europa.eu/eli/reg/2021/241/oj).
([4]) Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1, ELI: http://data.europa.eu/eli/reg/2023/435/oj).

drivers, access to private capital, research and innovation, education and skills, and a functioning single market emerge as paramount policy priorities for reform and investment to address current productivity challenges as well as to build up the long-term competitiveness of the Union and its Member States On 14 February 2024, the Commission issued a communication entitled 'The 2024 Annual Single Market and Competitiveness Report'. That communication details the competitive strengths and challenges of the European single market, tracking yearly developments according to the nine competitiveness drivers identified.

(4) On 21 November 2023, the Commission adopted the 2024 Annual Sustainable Growth Survey, marking the start of the 2024 European Semester for economic policy coordination. On 22 March 2024, the European Council endorsed the priorities of the 2024 Annual Sustainable Growth Survey, which are centred around the four dimensions of competitive sustainability. On 21 November 2023, on the basis of Regulation (EU) No 1176/2011, the Commission also adopted the 2024 Alert Mechanism Report, in which it identified Sweden as one of the Member States that may be affected, or may be at risk of being affected, by imbalances and for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area and a proposal for the 2024 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area ([5]) ('the 2024 Recommendation on the euro area') on 12 April 2024 and the Joint Employment Report on 11 March 2024.

(5) On 30 April 2024, the Union's new economic governance framework entered into force. The framework includes the new Regulation (EU) 2024/1263 on the effective coordination of economic policies and multilateral budgetary surveillance, the amended Council Regulation (EC) No 1467/97 ([6]) on speeding up and clarifying the implementation of the excessive deficit procedure, and the amended Council Directive 2011/85/EU ([7]) on requirements for the budgetary frameworks of Member States. The objectives of the new economic governance framework are to promote sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, and prevent excessive government deficits. The new economic governance framework also promotes national ownership and has a greater medium-term focus, combined with more effective and coherent enforcement. Each Member State has to submit to the Council and to the Commission a national medium-term fiscal-structural plan. A national medium-term fiscal-structural plan contains the fiscal, reform and investment commitments of a Member State, covering a planning horizon of 4 or 5 years, depending on the regular length of the national legislative term. The net expenditure ([8]) path in the national medium-term fiscal-structural plans has to comply with the requirements of Regulation (EU) 2024/1263, including the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period, or for it to remain at prudent levels below 60 % of gross domestic product (GDP), and to bring and/or maintain the general government deficit below the 3 %-of-GDP Treaty reference value over the medium term. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in Regulation (EU) 2024/1263, the adjustment period can be extended by up to 3 years. For the purpose of supporting the preparation of those national medium-term fiscal-structural plans, on 21 June 2024, the Commission published guidance on the information to be provided by Member States in their national medium-term fiscal-structural plans and in their annual progress reports. In accordance with Articles 5 and 36 of Regulation (EU) 2024/1263, the Commission transmitted to the Member States reference trajectories and technical information, where applicable. Member States have to submit their national medium-term fiscal-structural plans by 20 September 2024, unless the Member State and the Commission agree to extend the deadline by a reasonable period of time. In accordance with their national legal frameworks, Member States may debate their draft medium-term plans with their national parliaments, may ask the independent fiscal institutions to issue an opinion, and may conduct a consultation of social partners and other national stakeholders.

([5]) Council Recommendation of 12 April 2024 on the economic policy of the euro area (OJ C, C/2024/2807, 23.4.2024, ELI: http://data.europa.eu/eli/C/2024/2807/oj).

([6]) Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6, ELI: http://data.europa.eu/eli/reg/1997/1467/oj).

([7]) Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (OJ L 306, 23.11.2011, p. 41, ELI: http://data.europa.eu/eli/dir/2011/85/oj).

([8]) Net expenditure as defined in Article 2, point (2), of Regulation (EU) 2024/1263: 'net expenditure' means government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-offs and other temporary measures.

(6) In 2024, the European Semester for economic policy coordination continues to evolve in line with the implementation of the Facility. The full implementation of the recovery and resilience plans remains essential for delivering the policy priorities under the European Semester, as the plans help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent years. The 2019, 2020, 2022 and 2023 country-specific recommendations remain equally relevant for the recovery and resilience plans which have been revised, updated or amended in accordance with Articles 14, 18 and 21 of Regulation (EU) 2021/241.

(7) On 28 May 2021, Sweden submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines set out in Annex V to that Regulation. On 4 May 2022, the Council adopted its Implementing Decision on the approval of the assessment of the recovery and resilience plan for Sweden ([9]), which was amended on 9 November 2023 pursuant to Article 18(2) of Regulation (EU) 2021/241 to update the maximum financial contribution for non-repayable financial support, as well as to include the REPowerEU chapter ([10]). The release of instalments is conditional on the adoption of a decision by the Commission, in accordance with Article 24(5) of Regulation (EU) 2021/241, stating that Sweden has satisfactorily fulfilled the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory fulfilment presupposes that the achievement of preceding milestones and targets has not been reversed.

(8) On 26 April 2024, Sweden submitted its 2024 National Reform Programme and its 2024 Convergence Programme, in line with Article 8(1) of Council Regulation (EC) No 1466/97 ([11]). In accordance with Article 27 of Regulation (EU) 2021/241, the 2024 National Reform Programme also reflects Sweden's biannual reporting on the progress made in achieving its recovery and resilience plan.

(9) On 19 June 2024, the Commission published the 2024 country report for Sweden. It assessed Sweden's progress in addressing the relevant country-specific recommendations adopted by the Council between 2019 and 2023 and took stock of Sweden's implementation of the recovery and resilience plan. On the basis of that analysis, the country report identified gaps with regard to those challenges that are not addressed or only partially addressed by the recovery and resilience plan, as well as new and emerging challenges. It also assessed Sweden's progress in implementing the European Pillar of Social Rights and in achieving the Union headline targets on employment, skills and poverty reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

(10) The Commission carried out an in-depth review under Article 5 of Regulation (EU) No 1176/2011 for Sweden. The main findings of the Commission staff's assessment of macroeconomic vulnerabilities for Sweden for the purposes of that Regulation were published in March 2024. On 19 June 2024, the Commission concluded that Sweden is experiencing macroeconomic imbalances. In particular, Sweden faces vulnerabilities related to its real estate market and high private debt, which remain relevant despite some recent corrections, and policy action to tackle them has been limited. After significant increases for several years, real estate prices declined in 2022 and 2023. Private sector debt declined relative to GDP because of the high nominal GDP growth, on account of the high inflation, while debt levels still increased in nominal terms. The rapid increase in interest rates has negatively impacted the debt servicing of households and of commercial real estate companies, reduced demand, and affected property prices. The prevalence of variable interest rates and of mortgages with very long durations has put pressure on household balance sheets, reducing repayment capacity and triggering a fall in consumption and contributing to the recession of 2023. At the same time, the new housing construction dropped sharply. Despite recent falls, house prices still continue to be significantly overvalued, commercial real estate prices appear not to have fully adjusted yet and there are risks for debt servicing in case interest rates remain high and valuations decline. The financial sector is highly exposed to the real estate sector, but its strong metrics should serve as a bulwark against the propagation of real estate problems to the wider economy. Policy progress has been limited, and in the absence of firmer action, the identified vulnerabilities will persist and may lead to a re-surge in debt-financed housing acquisition and house price overvaluation. Measures that increase housing supply could go a long way in preventing these issues. In addition, taxation continues to promote debt-financed housing acquisition through the significant tax deductibility of mortgage interest payments, and to favour homeownership. The rental market has not been reformed.

([9]) ST 7772/22 INIT and ST 7772/22 ADD 1.

([10]) Council Implementing Decision of 9 November 2023 amending the Implementing Decision of 4 May 2022 on the approval of the assessment of the recovery and resilience plan for Sweden (ST 14474/23 INIT and ST 14474/23 ADD 1).

([11]) Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (OJ L 209, 2.8.1997, p. 1, ELI: http://data.europa.eu/eli/reg/1997/1466/oj).

(11) According to data validated by Eurostat, Sweden's general government balance decreased from a surplus of 1,2 % of GDP in 2022 to a deficit of 0,6 % in 2023, while the general government debt fell from 33,2 % of GDP at the end of 2022 to 31,2 % at the end of 2023.

(12) On 12 July 2022, the Council recommended ([12]) that Sweden take action to ensure in 2023 that the growth of nationally financed primary current expenditure is in line with an overall neutral fiscal policy stance ([13]), taking into account the continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Sweden should stand ready to adjust current spending to the evolving situation. The Council also recommended that Sweden expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Facility and other Union funds. In 2023, according to the Commission's estimates, the fiscal stance ([14]) was broadly neutral, at 0 % of GDP. The growth in nationally financed primary current expenditure (net of discretionary revenue measures) in 2023 provided a broadly neutral contribution to the fiscal stance of 0,1 % of GDP and was in line with the Council Recommendation of 12 July 2022. The broadly neutral contribution of nationally financed primary current expenditure was due to the reduction by 0,3 percentage points in the cost of the emergency support measures (targeted and untargeted) for households and firms in response to energy price hikes, partly offset by a series of smaller measures, *inter alia* a reduction of the energy tax on fuel. Nationally financed investment amounted to 4,9 % of GDP in 2023, with an increase of 0,2 percentage points from 2022. Sweden financed public investment for the green and digital transitions and for energy security, such as the Industry Leap and Climate Leap schemes, the provision of funding for climate projects and low-emission technology in industries, and broadband expansion. Sweden has not yet submitted a payment request under the Facility.

(13) In the 2024 Convergence Programme, the macroeconomic scenario underpinning the budgetary projections projects real GDP to grow by 0,7 % in 2024 and 2,5 % in 2025, while projecting KPIF (consumer price inflation without interest costs) inflation at 2,1 % in 2024 and 1,7 % in 2025. The general government deficit is expected to increase to 1,2 % of GDP in 2024 and decline to 0,3 % of GDP in 2025, while the general government debt-to-GDP ratio is set to increase to 32,0 % by the end of 2024 and, subsequently, decrease to 31,4 % by the end of 2025. After 2025, the general government balance is projected to reach a surplus of 0,7 % of GDP in 2026 and 1,7 % in 2027. Therefore, the general government balance is planned to remain below the 3 %-of-GDP Treaty deficit reference value over the programme horizon. In turn, after 2025, the general government debt-to-GDP ratio is projected to decrease to 30,0 % in 2026 and to 28,0 % in 2027.

(14) The Commission's 2024 spring forecast projects real GDP to grow by 0,2 % in 2024 and 2,1 % in 2025, and inflation measured by the harmonised index of consumer prices (HICP) to stand at 2,0 % in 2024 and 1,8 % in 2025.

(15) The Commission's 2024 spring forecast projects a government deficit of 1,4 % of GDP in 2024, reflecting *inter alia* weakening growth in tax revenue and increased expenditure in particular on index-linked pensions in the regional and municipal subsector, while the general government debt-to-GDP ratio is set to increase to 32 % by the end of 2024. According to the Commission's estimates, the fiscal stance is projected to be expansionary by 0,6 % of GDP in 2024.

(16) Expenditure amounting to 0,1 % of GDP is expected to be financed by non-repayable support ('grants') under the Facility in 2024, compared to 0,1 % of GDP in 2023, according to the Commission's 2024 spring forecast. Expenditure financed by grants under the Facility will enable high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance or debt of Sweden.

([12]) Council Recommendation of 12 July 2022 on the 2022 National Reform Programme of Sweden and delivering a Council opinion on the 2022 Convergence Programme of Sweden (OJ C 334, 1.9.2022, p. 221).

([13]) Based on the Commission's 2024 spring forecast, the medium-term potential output growth of Sweden in 2023 is estimated at 7,7 % in nominal terms, based on the 10-year average real potential growth rate and the 2023 GDP deflator.

([14]) The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the Union budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures (and excluding temporary emergency measures related to the COVID-19 crisis) and including expenditure financed by non-repayable support (grants) under the Facility and other Union funds. A negative sign of the indicator indicates an expansionary fiscal policy whereas a positive sign of the indicator indicates a contractionary fiscal policy.

(17) On 14 July 2023, the Council recommended ([15]) that Sweden maintain a sound fiscal position in 2024. When executing their 2023 budgets and preparing their budgets for 2024, Member States were invited to take into account that the Commission would propose to the Council the opening of deficit-based excessive deficit procedures on the basis of the outturn data for 2023. According to the Commission's 2024 spring forecast, Sweden's structural balance is projected at 0,0 % of GDP in 2024, from 0,1 % in 2023, thereby above the country's medium-term budgetary objective of a structural balance of - 1 % of GDP. This is in line with what was recommended by the Council.

(18) Moreover, the Council recommended that Sweden take action to wind down the emergency energy support measures in force as soon as possible in 2023 and 2024. The Council further recommended that, if renewed energy price increases necessitate new or continued support measures, Sweden ensure that such support measures are targeted at protecting vulnerable households and firms, are fiscally affordable, and preserve incentives for energy savings. According to the Commission's 2024 spring forecast, the net budgetary cost ([16]) of emergency energy support measures is estimated at less than 0,1 % of GDP in 2023 and projected at less than 0,1 % of GDP in 2024 and 0 % of GDP in 2025. The emergency energy support measures have been wound down in 2023 and 2024. This is in line with what was recommended by the Council.

(19) In addition, the Council also recommended that Sweden preserve nationally financed public investment and ensure the effective absorption of grants under the Facility and of other Union funds, in particular to foster the green and digital transitions. According to the Commission's 2024 spring forecast, nationally financed public investment is projected to increase from 4,9 % of GDP in 2023 to 5,1 % of GDP in 2024. This is in line with what was recommended by the Council. In turn, public expenditure financed from revenues from Union funds, including grants under the Facility, is expected to remain stable at 0,2 % of GDP in 2024.

(20) On the basis of the policy measures known at the cut-off date of the forecast and on a no-policy-change assumption, the Commission's 2024 spring forecast projects, for 2025, a general government deficit of 0,9 % of GDP and a general government debt-to-GDP ratio of 31,3 %, supported by the expected economic recovery.

(21) In accordance with Article 19(3), point (b), of Regulation (EU) 2021/241 and criterion 2.2 of Annex V to that Regulation, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. Those reforms and investments are expected to help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations. Within this tight timeframe, proceeding swiftly with the effective implementation of the recovery and resilience plan, including the REPowerEU chapter, is essential to boost Sweden's long-term competitiveness through the green and digital transitions, while ensuring social fairness. To deliver on the commitments of the recovery and resilience plan by August 2026, it is essential for Sweden to significantly accelerate the implementation of reforms and investments. The systematic involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the recovery and resilience plan.

(22) As part of the mid-term review of the cohesion policy programmes, in accordance with Article 18 of Regulation (EU) 2021/1060 of the European Parliament and of the Council ([17]), Sweden is required to review each programme supported by the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund and the Just Transition Fund (JTF) by March 2025, taking into account, among other things, the challenges identified in the 2024 country-specific recommendations, as well as its national energy and climate plan. That review forms the basis for the definitive allocation of the Union funding included in each programme. Sweden has made progress in implementing cohesion policy programmes and the European Pillar of Social Rights, but challenges remain and disparities persist between the capital region and the rest of the country. It is important to accelerate the implementation of the cohesion policy programmes, and the priorities agreed in the programmes are still relevant. It is crucial to continue to support innovation contributing to the further greening of society with the ambition of reaching a climate-neutral economy, while continuing to address socio-economic regional disparities and disparities between urban and non-urban areas. In addition, it remains key to promote upskilling and reskilling, with particular attention to vulnerable groups, in particular to those with a migrant background. Sweden could also make use of the Strategic Technologies for Europe Platform, established by Regulation (EU) 2024/795 of the

([15]) Council Recommendation of 14 July 2023 on the 2023 National Reform Programme of Sweden and delivering a Council opinion on the 2023 Convergence Programme of Sweden (OJ C 312, 1.9.2023, p. 252).

([16]) The figure represents the level of the annual budgetary cost of those measures, including revenue and expenditure and, where applicable, net of the revenue from taxes on windfall profits of energy suppliers.

([17]) Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (OJ L 231, 30.6.2021, p. 159, ELI: http://data.europa.eu/eli/reg/2021/1060/oj).

European Parliament and of the Council ([18]), to boost investments in technologies supporting the green transition. Developing and manufacturing clean and resource-efficient technologies, including strengthening value chains and addressing shortages of labour and skills, is important for the long-term sustainability and competitiveness of Swedish regions and their small and medium-sized enterprises.

(23) Beyond the economic and social challenges addressed by the recovery and resilience plan and other Union funds, Sweden faces several additional challenges related to: (a) deteriorating educational outcomes of pupils, in particular those with disadvantaged socio-economic and migrant backgrounds; (b) skills gaps, which are most pronounced for people from disadvantaged socio-economic and migrant backgrounds; and (c) reducing greenhouse gas emissions.

(24) Based on the 2022 Programme for International Student Assessment (PISA) results, the basic skills of Swedish students have deteriorated since 2018. The largest deterioration has taken place in mathematics, where the share of underperformers was well above the Union target. The underperformance rate has increased even more for students from disadvantaged socio-economic backgrounds, and the gap between native-born students and those with a migrant background is very high. Furthermore, there is a risk that the persistent shortage of qualified teachers will negatively impact the quality of the education system and the performance of students.

(25) In 2022, 15 % of all students finishing lower secondary school had grades that were too low or incomplete, excluding them from qualifying for upper secondary school. This affects in particular students with a disadvantaged socio-economic and migrant background. Such students are also underrepresented in private schools, whose pupils have on average better chances of qualifying for further studies. As most jobs in Sweden require an upper secondary or higher qualification, the ensuing gap in educational attainment also increases the risk of not finding a job, with negative consequences for integration.

(26) There are wide gaps between different groups in terms of skills levels and educational attainment. Such gaps are most pronounced for young people born outside the Union, who are less likely to have completed upper secondary school and less likely to be in employment, education or training than those born in Sweden. That reduces their chances of employment and represents a risk for Sweden's ability to further improve its sustainable competitiveness. Furthermore, those skills gaps further aggravate labour shortages, which are especially evident in the industry and services sectors, and represent a major challenge for the development and the green industrial transition of the country's northernmost regions.

(27) With the current policies, it appears unlikely that Sweden will reach its 2030 targets under the Union's policy to reduce greenhouse gas emissions ('2030 emission targets'). Updated comprehensive scenarios for greenhouse gas emissions reflecting policy changes in 2023 and 2024 are still lacking, as the currently available government climate action plan focuses on a longer horizon until 2045, without quantitative scenarios on emissions trajectories for the period to 2030. However, several studies by official and independent bodies seem to confirm that Sweden's current policies will result in a significant shortfall in meeting the 2030 emission targets. Emission reductions in road transport are key if Sweden is to achieve the 2030 emission targets. Road transport accounts for three quarters of energy demand for oil and petroleum products, which is the main source of greenhouse gas emission from fossil fuels in Sweden.

([18]) Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), and amending Directive 2003/87/EC and Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241 (OJ L, 2024/795, 29.2.2024, ELI: http://data.europa.eu/eli/reg/2024/795/oj).

(28) Even though Sweden has the Union's highest share of renewables in total energy consumption, it still has an untapped potential for renewables. This potential could be harnessed to accommodate the ongoing electrification of industries in Sweden, and the innovative, green industrial developments and decarbonisation in the north of Sweden, which require even greater electricity production. There are still several obstacles to expanding the country's renewable energy production capacity. This could result in Sweden not achieving its envisioned expansion of wind capacity by 13 GW and of solar power capacity by around 5 GW between 2021 and 2030. One such obstacle is permitting barriers for both offshore and onshore wind power. These barriers emanate from inefficient permitting procedures and veto rights of communes and defence authorities, among other things.

(29) In light of the Commission's in-depth review and conclusions on the existence of imbalances, recommendations under Article 6 of Regulation (EU) No 1176/2011 are reflected in recommendation (1). Policies referred to in recommendation (1) help to address vulnerabilities linked to high household debt and highly valued real estate,

HEREBY RECOMMENDS that Sweden take action in 2024 and 2025 to:

1. Submit the medium-term fiscal-structural plan in a timely manner. Reduce risks related to high household debt and housing market imbalances by reducing the tax deductibility of mortgage interest payments and increasing recurrent property taxes, while developing appropriate tools for better policy assessment and targeting. Stimulate investment in residential construction to ease the most urgent shortages, in particular by removing structural obstacles to construction. Improve the efficiency of the housing market, including by introducing reforms in the rental market.
2. In light of prolonged delays, significantly accelerate the implementation of the recovery and resilience plan, including the REPowerEU chapter, ensuring the completion of reforms and investments by August 2026. Accelerate the implementation of the cohesion policy programmes. In the context of the mid-term review of those programmes continue focusing on the agreed priorities, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness.
3. Improve educational performance, including of students with disadvantaged socio-economic and migrant backgrounds, by addressing the persistent shortage of qualified teachers, by ensuring equal access opportunities to the schooling system and by further supporting the transition of students to upper secondary school. Develop the skills of the labour force, particularly those from disadvantaged socio-economic and migrant backgrounds, through targeted policy measures and resources, in order to improve their integration into the labour market.
4. Ensure the achievement of greenhouse gas emission reduction targets by reducing in particular emissions from road transport, and accelerate and streamline permitting procedures for deploying renewables, in particular for offshore and onshore wind energy.

Done at Luxembourg, 21 October 2024.

For the Council

The President

NAGY I.