Central government measures for more green cars

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Background

Swedish national target:
GHG emissions from domestic transport should reduce with 70 percent by 2030

GHG emissions 2018

- Domestic transport
- Other sectors
Overall purpose

Have the policy instruments contributed to achieving Sweden’s **objective of reducing greenhouse gas emissions** in the transport sector at a **reasonable socio-economic cost** and contributed to **stable long-term conditions**.

The purpose has also been to assess whether the Government and the responsible agencies have produced **impact assessments** so that the Riksdag has received a **transparent basis for decision-making**.
Policy measures covered by the audit

- reduced taxable benefit for green cars (2002 -
- CO2 differentiated motor vehicle tax (2006 -
- motor vehicle tax exemption for green cars (2009 – 2018)
- super green car rebate (2012 – 2018)
- the bonus-malus system (2018 –
Method

• Systematic analysis of several impact assessments carried out by the government or its agencies between 2006 and 2018

• Calculation of socio-economic and public finance costs of subsidizing green cars.
  – All green cars sold between 2012 and 2018 included
  – Costs of green cars compared to costs of fossil fuel cars
  – Socio-economic valuation of external effects included (pollution, noise etc.)
  – All costs put in relation to CO2-emissions

• Descriptive analysis of regional distribution of subsidies
Conclusions

• Insufficient impact assessments
  – Environmental impact is poorly described
  – No overall socio-economic assessments
  – No plan for follow-up and evaluation
Conclusions

• The socio-economic costs of the policy instruments seem to be relatively high
  – The policy instruments are inefficient due to
    o Drivers of company cars for private use currently receive a larger subsidy for green cars compared to private individuals.
    o The socio-economic cost of a subsidized company/benefit car is essentially higher compared to a privately-owned car.
    o Subsidies to green cars give incentives to export
    o A subsidized green car, which is exported, triples the socio-economic cost
    o The costs of subsidized green cars appear to be relatively high
  
  – Support is unevenly distributed in the country
Conclusions

• Long-term and predictable conditions for the purchase of new cars and car ownership have not been created
  – Several changes in the motor vehicle tax
  – Several extensions of the reduction in the taxable benefit of green cars
  – Risk in light of past experience that extra funds, in addition to budgeted levels, will need to be added
  – Uncertainty for the car market due to that bonus-malus was introduced before the effects of WLTP were known.
What the government should do

• ensure that impact assessments are prepared for decisions on policy measures
• compare the socio-economic costs of reducing emissions of all alternative policy instruments in order to ensure a cost-effective climate and transport policy
• plan for evaluation
• review the possibilities of reducing the socio-economic costs of exporting subsidised green cars.
• analyse the need for and cost efficiency of the reduced taxable benefit targeting green company cars for private use.
• clearly state how the existing policy instruments should be developed in the future
Reactions

• The government agreed that impact assessments should always be done before introducing policy measures

• The government disagreed that the policy instruments are inefficient

• The government however agreed that something has to be done about export of subsidized green cars

• The parliament has not yet handled the report

• A lot of publicity in media