Council of the European Union

Brussels, 19 October 2023
(OR. en)

14456/23
ADD 2

Interinstitutional File:
2023/0381(NLE)

ECOFIN 1068
FIN 1071
UEM 330

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	19 October 2023
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2023) 342 final
Subject:	COMMISSION STAFF WORKING DOCUMENT Analysis of the recovery and resilience plan of Sweden Accompanying the document Proposal for a COUNCIL IMPLEMENTING DECISION amending Implementing Decision (EU) (ST 7772/2022; ST 7772/2022 ADD 1) of 4 May 2022 on the approval of the assessment of the recovery and resilience plan for Sweden

Delegations will find attached document SWD(2023) 342 final.

Encl.: SWD(2023) 342 final

EUROPEAN
COMMISSION

Brussels, 19.10.2023
SWD(2023) 342 final

COMMISSION STAFF WORKING DOCUMENT

Analysis of the recovery and resilience plan of Sweden

Accompanying the document

Proposal for a COUNCIL IMPLEMENTING DECISION

amending Implementing Decision (EU) (ST 7772/2022; ST 7772/2022 ADD 1) of 4 May 2022 on the approval of the assessment of the recovery and resilience plan for Sweden

{COM(2023) 671 final}

Table of contents

1. Executive summary 2
2. Objectives of the modification of the plan 2
3. Summary of the assessment of the plan 4
3.1. Comprehensive and adequately balanced response to the economic and social situation 4
3.2. Link with country-specific recommendations and the European Semester 6
3.3. Growth potential, job creation, economic, institutional and social resilience, European Pillar of Social Rights, mitigating the impact of the crisis, and social territorial cohesion and convergence 7
3.4. The principle of 'do no significant harm' 7
3.5. Green transition 9
3.6. Digital transition 10
3.7. Lasting impact of the plan 11
3.8. Milestones, targets, monitoring and implementation 11
3.9. Costing 12
3.10. Controls and audit 13
3.11. Coherence 15
3.12. REPowerEU 15
3.13. Cross-border or multi-country dimension or effect 16
ANNEX I: Climate tracking and digital tagging 18

1. EXECUTIVE SUMMARY

In 2022, Sweden's economy was confronted with the adverse effects of the Russian aggression against Ukraine. Even if the direct exposure through trade linkages was rather limited, the increase in energy prices and ultimately inflation and the subsequent monetary tightening impacted the Swedish economy particularly hard because of the high private debt and short-interest fixation periods. As a consequence, private consumption declined and investment in construction dropped, leading to a decline in GDP.

For the modification of the RRP, Sweden has relied on the following legal bases: Article 18(2) to take into account the updated maximum financial contribution, Article 21c to include additional resources from ETS revenues and from the Brexit Adjustment Reserve (BAR) for its REPowerEU chapter.

The modifications submitted by Sweden under Article 18(2) of Regulation (EU) 2021/241 affect two measures of the original RRP. In particular, the investment in the Strengthened Railway Support has been reduced, namely by taking out the replacement and upgrading of 160 road protection facilities and the upgrade of the bridge located in Vänersborg. In addition, the modified RRP rectifies clerical errors in six measures.

The REPowerEU chapter contains measures to help address the key energy challenges that Sweden currently faces. The proposed measures contain a reform to shorten the permitting process for electricity grid construction and the scaling-up of two measures already part of the original RRP: investments in energy efficiency in multi-dwelling buildings and an investment subsidy for rental and student housing respectively. The proposed REPowerEU chapter addresses four out of the six objectives pursued by the Regulation. The implementation of the proposed measures is expected to effectively promote energy efficiency in buildings and critical infrastructure, tackle energy poverty, create incentives to reduce energy demand as well as address internal and cross-border bottlenecks in energy transmission and distribution. The measures contribute to addressing the country-specific recommendations adopted by the Council on 24 June 2022 and on 14 July 2023 and, in particular, to the green and digital transition. New measures in the REPowerEU chapter have a cross-country dimension. Based on the assessment of the submitted modification and the REPowerEU chapter, the Swedish modified plan receives an A-rating on all criteria, except for costing where the plan receives a B-rating (unchanged from the original plan assessment).

(1) Balanced Response	(2) CSRs	(3) Growth, jobs…	(4) DNSH	(5) Green target	(6) Digital target	(7) Lasting impact	(8) M & T	(9) Costing	(10) Control Systems	(11) Coherence	(12) REPowerEU	(13) Cross-border
A	A	A	A	A (43.6%	A (21.2%)	A	A	B	A	A	A	A

2. OBJECTIVES OF THE MODIFICATION OF THE PLAN

2.1 New challenges in Sweden

Sweden's economy was hit midships in 2022 by the deterioration in its terms-of-trade and needed policy tightening to fight inflation. The Russian aggression against Ukraine hit the Swedish economy surprisingly hard. The direct exposure through trade linkages was rather limited and Sweden actually exports electricity on net. It was, however, the broader increase in energy prices and, ultimately, inflation and the subsequent monetary tightening that impacted the Swedish economy particularly hard because of the high private debt and short-interest fixation periods. As a consequence, private consumption declined and investment in construction dropped, leading to a decline in GDP. Relatively slow external demand developments further weighed on the economy. Sweden's economy would, therefore, benefit from increasing its resilience by reducing imbalances related to high household debt related to high house prices while further insulating it from energy price shocks.

The Swedish modified recovery and resilience plan adds a REPowerEU chapter to the original plan pursuant to Article 21(c) of the RRF Regulation and is a relevant response to the geopolitical and energy challenges faced by the European Union. The amendment of the RRF Regulation provides for additional support for reforms and investments helping to phase out imports of Russian fossil fuels and providing clean, affordable and secure energy to households and businesses across Europe. The modifications proposed under the plan and the newly integrated REPowerEU chapter are aimed at addressing a significant subset of the country-specific recommendations for Sweden presented in the context of the European Semester 2022 and 2023 cycle.

Pursuant to Article 18(2) of the RRF Regulation, Sweden justified a part of its modifications by the decrease of its maximum financial contribution. The maximum financial contribution for Sweden was updated on 30 June 2022 and decreased from EUR 3 288 million to EUR 3 181 million[1]. To take this reduction in the allocation into account, Sweden proposes to reduce the investment in the Strengthened Railway Support and to remove two related measures: the replacement and upgrading of 160 road protection facilities and the upgrade of the bridge located in Vänersborg. The table below lists the associated costs of the new and modified components, i.e. Component 1 "Green Recovery" and component 6 "REPowerEU".

2.2 The REPowerEU chapter

Under the REPowerEU chapter and based on Article 21c of Regulation (EU) 2021/241, Sweden has requested to scale-up two investments and to add one new reform:

[1] This amount corresponds to the financial allocation after deduction of Sweden's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

Component 6 (REPowerEU chapter):

Scaled-up investment 6.1 Energy efficiency in multi-dwelling buildings

The objective of this measure is to scale-up Investment 3: Energy efficiency in multi-dwelling buildings, under component 1: Green recovery. This public support scheme aims to incentivize property owners to renovate multi-dwelling buildings. The investment subsidy to renovate these buildings and make them more energy efficient is an important incentive in absence of a clear business case (low profitability). The support scheme will be available for investments that achieve at least a 20% reduction in the primary energy demand for a specific building. Smart energy systems could be integrated in the renovation efforts to achieve energy efficiency improvement. With the scaling-up of the measure, the number of renovated square meters for energy efficiency purposes will increase in proportion to the additional funding becoming available.

Scaled-up investment 6.2 Investment subsidy for rental and student housing

The objective of this measure is to scale-up Investment 1: Investment aid for rental and student housing, under component 5: Investment for growth and housing. Through this investment, which is increasing the supply of new rental dwellings with a lower rent relative to new non-subsidised housing, Sweden tackles housing shortages, energy poverty and enhances the energy efficiency of its housing stock. Requirements for landlords in allocating the housing will make these dwellings economically accessible to a larger number of households, giving a better chance on the housing market to individuals in the lower half of the income distribution, students or people becoming active on the labor market. To cater in particular for those that are in an unfavorable position on the housing market, prone to energy poverty and have a relatively low income a maximum rent is set together with the before mentioned explicit absence of income requirements for potential tenants. To the benefit of both lower energy demand and lower energy costs, the support scheme will give support only to investments that achieve at least a 20% reduction in the primary energy demand at the level of the building compared to the requirements of the building regulation. The scale-up of the measure increases the number of completed dwellings for rental and student housing. Construction subsidies will be paid to houses that are completed in 2022 and 2023.

Reform 6.3 to speed up the authorisation process in electricity grid construction

The objective of this reform is to shorten the permitting process for electricity grid construction, in view of strengthening electricity networks within Sweden. The reform also aims to address domestic and cross-border bottlenecks in electricity transmission. The reform consists of legislation simplifying procedures for the construction of electricity network infrastructure. In this regard, the reform includes the following elements:

- a derogation from requirements for exemptions from local area protection as described in Chapter 7, Sections 11-b and 13-18h of the Swedish Environmental Code; and
- a presumption for the use of overhead line solutions over ground cable solutions when assessing technology choices at the highest voltage levels, which replaces the existing requirement that both types of solutions should be explored by default as described in in Chapter 2, Sections 12 and 17 of the Electricity Act.

The measures presented under the REPowerEU chapter are consistent in addressing the main challenges set out by the REPowerEU plan according to the Regulation (EU) 2023/435. The implementation of the measures included in the REPowerEU chapter are expected to contribute notably to supporting four of the six objectives of Regulation (EU) 2021/241, namely those in Article 21c(3), points (b) energy efficiency in buildings, (c) energy poverty, (d) incentivising reduction of energy demand and (e) internal and cross-border energy transmission and distribution bottlenecks.

Table 2.1: Components in the modified RRP and associated estimated costs[2] (EUR million).

Component	Existing Plan	Addendum	Overall
	Financial contribution	Financial contribution	Total
1: Green recovery	1 552	-70	1 482
2. Education and transition	504	-	504
3. Better conditions for addressing demographic challenges	452	-	452
4. Broadband expansion and digitalisation of public administration	485	-	485
5. Investment for growth and housing	296	-	296
6. RePowerEU chapter	**-**	**283**	**283**
TOTAL	**3 289**	**213**	**3 502**

Other elements not covered by assessment criteria

The description of the implementation and monitoring aspects of the plan as well as the contribution to gender equality, as reflected in the previous Staff Working Document SWD(2022) 102 final remains valid.

State aid and competition rules fully apply to the measures funded by the Recovery and Resilience Facility. Union funds channelled through the authorities of Member States, like the RRF funds, become State resources and can constitute State aid. When this is the case and State aid is present, these measures must be notified and approved by the Commission before Member States can grant the aid, unless those measures are covered by an existing aid scheme or comply with the applicable conditions of a block exemption regulation, in particular the General Block Exemption Regulation (GBER) declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 TFEU[3]. When State aid is present and it requires notification, it is the duty

[2] The total estimated costs for measures to be supported by the financial contribution in the form of non-repayable support is in excess of the plan's financial contribution of EUR 3 380 million (after deduction of Sweden's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241).

[3] Annex to the Communication to the Commission of 9 March 2023 on the Approval of the content of a draft for a Commission Regulation amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with

of the Member State to notify State aid measures to the Commission before granting them, in compliance with Article 108(3) TFEU. In this respect, the State aid analysis carried out by Sweden in the recovery and resilience plan cannot be deemed a State Aid notification. In as far as Sweden considers that a specific measure contained in the recovery and resilience plan entails de minimis aid or aid exempted from the notification requirement, it is the responsibility of Sweden to ensure full compliance with the applicable rules.

3. SUMMARY OF THE ASSESSMENT OF THE PLAN

3.1. Comprehensive and adequately balanced response to the economic and social situation

Table X: Coverage of the six pillars of the Facility by the new or modified RRP components

	Green transition	Digital transformation	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, and economic, social and institutional resilience	Policies for the next generation
Component 1 Green Recovery	●	○	○	○		○
Component 6 REPowerEU chapter	●	○	○	○	●	

Key: "●" investments and reforms of the component significantly contribute to the pillar; "○" the component partially contributes to the pillar

Sweden's modified plan along with the REPowerEU chapter includes a balanced set of reforms and investments contributing to the Union's economic, social and territorial cohesion by referring to the six pillars of Article 3 of the Regulation (EU) 2021/241. The nature and extent of the proposed modifications to the RRP do not have an impact on the previous assessment of the plan's comprehensive and adequately balanced response to the economic and social situation, and on its appropriate contribution to all six pillars referred to in Article 3 of the RRF Regulation, as reflected in Staff Working Document SWD(2022) 102 final.

Green transition challenges are addressed under the scaled-up investment support for energy efficiency in multi-dwelling buildings and the investment subsidy for the construction of energy efficient rental and student housing. These investment measures top up existing investment measures in the original RRP. These measures were already identified as contributing

the internal market in application of Articles 107 and 108 of the Treaty and Regulation (EU) 2022/2473 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty; available at: https://competition-policy.ec.europa.eu/system/files/2023-03/GBER_amendment_2023_EC_communication_annex_0.pdf

to the green transition and the larger financial impulse will help to further advance Sweden's green transition.

***

The nature and extent of the proposed modifications to Sweden's recovery and resilience plan do not have a material impact on the previous assessment (rating of A) that the plan represents a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of the RRF Regulation, taking the specific challenges and the financial allocation of Sweden into account, as reflected in the previous Staff Working Document SWD(2022) 102 final.

3.2. Link with country-specific recommendations and the European Semester

Overall, Sweden's modified RRP represents a comprehensive and adequate response to the economic and social challenges faced by Sweden. While the modified plan reduces the investment in one measure in line with the lower financial allocation, it introduces a new reform and scales up two investments from the original RRP that imply a continued coverage of a significant subset of the challenges identified in the country-specific recommendations (CSRs). As the maximum financial contribution for Sweden has been adjusted downwards, the 2022 and 2023 recommendations not related to energy challenges are not considered in the overall assessment.

Sweden is proposing to modify only the elements of its original recovery and resilience plan related to the measure Strengthened Railway Support, as well the inclusion of the REPowerEU chapter. Therefore, only recommendation 2020.2, recommending to focus investment on sustainable transport and 2019.2, recommending to maintain investments in sustainable transport to upgrade the different transport modes, as well as and 2022 and 2023 recommendations related to energy challenges are considered in the overall assessment.

The REPowerEU chapter contributes to addressing several challenges identified in energy-related country-specific recommendations made in 2022 (CSR 2022.4), as well as the energy-related country-specific recommendations made in 2023 (CSR 2023.4). The second recommendation consisted of proceeding with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 29 October 2021. (CSR 2, 2022) The recovery and resilience plan is relevant for the energy challenges Sweden faces through its energy-efficiency and other climate-related measures. Finally, Sweden was recommended to reduce the overall reliance on fossil fuels by accelerating the deployment of renewables and boosting complementary investment in network infrastructure, strengthening internal grids within the country to ensure sufficient network capacity, improving energy efficiency, and further streamlining permitting procedures in relation to renewable energy projects).

The scaled-up investments and the reform introduced in the REPowerEU chapter will address the country-specific recommendations. In particular, they will increase energy efficiency, help protect more vulnerable households against high energy prices and foster energy

security. The first scaled-up investment lowers the cost of energy efficiency investments in multi-dwelling buildings, with a particular reference to investments that would otherwise not have taken place. The second scaled-up measure concerns investment in rental and student housing that alleviates the housing market shortage for rental apartments with apartments that are more energy efficient than the most recent standard for energy efficient buildings. The reform aiming to speed up the authorization process for expanding grid capacity will help raise energy security and help ensure sufficient network capacity.

***

The nature and extent of the proposed modifications to Sweden's recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the contribution of the plan to addressing all or a significant subset of challenges identified in the country-specific recommendations, or challenges in other relevant documents officially adopted by the Commission under the European Semester, and of the adequacy of its response to the economic and social situation of Sweden, as reflected in the previous Staff Working Document SWD(2022) 102 final.

3.3. Growth potential, job creation, economic, institutional and social resilience, European Pillar of Social Rights, mitigating the impact of the crisis, and social territorial cohesion and convergence

Sweden's modified recovery and resilience plan can be expected to have a positive impact on social, institutional and economic resilience that is in accordance with its budget envelope. The easier authorisation procedure will immediately allow for new permit requests, expand the grid capacity and the speedier procedure will not easily be reversed as it responds to a broadly felt need in Sweden's electrification strategy. The energy-efficiency improvements have a longer-term investment horizon which, by reducing energy consumption, reduces the exposure of Swedish households and, through the reduction in total energy demand, corporates from price volatility. The investments will permanently reduce housing shortages, offering more chances for the relatively less well-off, while reducing energy demand with similar impacts as the energy efficiency measure. Offering more housing to students lowers travelling time and can improve their academic performance.

***

The nature and extent of the proposed modifications to Sweden's recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the plan's impact on the growth potential, job creation, and economic, social and institutional resilience of the Member State, on contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union, as reflected in the previous Staff Working Document SWD(2022) 102 final.

3.4. The principle of 'do no significant harm'

Sweden's modified recovery and resilience plan including the REPowerEU chapter is expected to continue to ensure that no measure included in the plan does significant harm to environmental objectives, within the meaning of Article 17 of the Taxonomy Regulation. The modified plan assesses compliance with the 'do no significant harm' (DNSH) principle following the methodology set out in the Commission's technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation (2021/C58/01). The assessment is done for the new reform taking into account that the reform directly contributes to the improvement of the energy infrastructure (REPowerEU's first objective). The reform has no budgetary costs attached to it. The reform is assessed as necessary and proportionate to meet the security of supply needs, having no cleaner feasible alternatives and does not risk locking in fossil fuel usage. The Member State has undertaken satisfactory efforts to limit the potential harm to environmental objectives where feasible and to mitigate harm through other measures. The measure contributes to achieving the Union's 2030 climate targets and the objective of EU climate neutrality by 2050. The measure is planned to be in operation by 31 December 2026.

***

The nature and extent of the proposed modifications to Sweden's recovery and resilience plan do not have a material impact on the previous assessment (rating of A) that no measure for the implementation of reforms and investment projects included in the plan is expected to do a significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852 (the principle of 'do no significant harm'), as reflected in the previous Staff Working Document SWD(2022) 102 final.

3.5. Green transition

All three measures in the REPowerEU chapter are expected to contribute to the green transition as well as to the achievement of the Union 2030 climate targets and of EU climate neutrality by 2050.

Green transition

The modified Swedish plan includes measures supporting climate change objectives for an amount which represents 43.6% of the total plan's allocation (EUR 1 503.9 billion out of EUR 3 447 billion) in the form of non-repayable financial contribution, including the allocations of the REPowerEU chapter. Measures supporting climate change objectives represent 40% of the total estimated costs of measures in the REPowerEU chapter, according to the methodology for climate tracking set out in Annex VI to the Recovery and Resilience Facility Regulation. Therefore, the climate change contribution of the total plan, as well as of REPowerEU, exceeds the minimum climate target of 37% as set out in that Regulation. The climate change contribution of each of the components of the plan is set out in the table in the annex. The largest contributions come from the measures included in the green recovery component (84.6% of the overall climate contribution).

The REPowerEU chapter – component 6 – presents investments amounting to EUR 282.5 billion that scale-up existing investments in the Initial Plan on energy efficiency in multi-dwelling buildings and investment aid for energy-efficient rental and student housing. The chapter thus directly reinforces the investments contained in the Initial Plan. The scaled-up investments are supported by a newly added reform accelerating the authorisation process for electricity grid expansion, which reinforces investments and reforms in the Initial Plan contributing to the electrification of the Swedish economy.

Climate target

The modified RRP of Sweden continues to correctly follow the methodology for climate tagging set out in Annex VI to the RRF regulation, by identifying intervention fields, and corresponding coefficients for the calculation of support to the climate objectives, for each measure (the table in Annex I presents the detailed application of the climate tagging methodology). It should be noted that:

a) the tagging and the estimated expenditure of existing measures has not been modified, on this basis the assessment as reflected in the previous SWD(2021) 147 final is maintained for those measure.
b) for the new measures of the modified plan:
    - the choice of intervention fields for the green transition is well justified and it reflects the nature, focus, objective, or expected outcome of the investments included in the component; and
    - the plan does not propose to increase the climate coefficients of the selected intervention fields for any measure.

***

The nature and extent of the proposed modifications to Sweden's recovery and resilience plan does not change the previous assessment (rating of A) of the contribution of the plan to the green transition and to the climate target, as reflected in the previous Staff Working Document SWD(2022) 102 final.

3.6. Digital transition

On the basis of the assessment guidelines provided for sub-criterion 6c, the reforms and investments in the modified RRP (including the REPowerEU chapter) contributing to the digital transition account for 21.2% (i.e. above the 20% requirement) of the plan's total allocation, based on the methodology for digital tagging set out in Annex VII. Four out of the six components in the amended plan contribute to the digital objectives. The most substantive contribution to the digital target stems from the measures in the dedicated component 4 on broadband expansion and digitalisation of public administration, which remain unchanged. The measures related to digital skills in component 2 (education and training) are still the same as in the original RRP. In addition, two investments related to energy efficiency of buildings in component 1 (green recovery) are scaled up as part of the REPowerEU chapter. The scaled-up measures are part of component 6 in the CID annex.

The REPowerEU chapter favours synergies between tackling the green and digital transition. Scaled-up investment subsidies for rental and student housing in the component on the green recovery aim to support the use of digital technologies to increase energy efficiency of buildings. In particular, the schemes should incentivise applying smart energy systems as part of the renovation effort.

***

The nature and extent of the proposed modifications to Sweden's recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the contribution of the plan to the digital transition, as reflected in the previous Staff Working Document SWD(2022) 102 final.

3.7. Lasting impact of the plan

***

The nature and extent of the proposed modifications to Sweden's recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the lasting impact of the measures proposed by Sweden, as reflected in the previous Staff Working Document SWD(2022) 102 final.

3.8. Milestones, targets, monitoring and implementation

The milestones and targets of the modified Swedish recovery and resilience plan enable an adequate monitoring of the plan's implementation. The reform to the authorization process for expanding the electricity grid has one milestone to track the implementation of the reform. The scaled-up investments add two targets to the plan. The amendment in light of the reduced contribution will see one milestone and one target being eliminated from the plan. The milestones and targets contain the key elements of the measures and, thus, are relevant for the implementation of the proposed changes. The monitoring milestones and targets appear comprehensive and clear to ensure that their completion can be traced and verified. Sweden's modified plan still corresponds to the original plan in terms of the overall level of ambition.

***

The nature and extent of the proposed modifications to Sweden's recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the adequacy of the arrangements proposed by Sweden to ensure the effective monitoring and implementation of the plan, as reflected in the previous Staff Working Document SWD(2022) 102 final.

3.9. Costing

Sweden has provided individual estimated costs for all the new measures that entail a cost in the recovery and resilience plan, including the REPowerEU chapter. There are no measures whose modifications would entail a change in the cost estimates or related target including on the proportionality of the related amendments. Sweden has not adjusted the cost calculations for price changes, instead maintaining the unit cost estimates from the original RRP. As a consequence, the

assessment still applies and the costs of the two scaled-up investment measures continue to be assessed as reasonable, plausible as well as commensurate to the objectives and cost efficient. The reassurances on avoiding double funding remain in place.

***

The nature and extent of the proposed modifications to Sweden's recovery and resilience plan do not have a material impact on the previous assessment (rating of B) of the reasonability and plausibility of the costs, their additionality, and that they are in line with the principle of cost efficiency and commensurate to the expected social and economic impact of the modified plan, as reflected in the previous Staff Working Document SWD(2022) 102 final.

3.10. Controls and audit

The previous assessment had concluded on the adequacy of the control and audit arrangements proposed by Sweden (Rating of A) under criterion 2.10 of Annex V to the RRF Regulation, subject to the timely fulfilment of the milestones pertaining to the organisation of the system and the treatment of data and organisation of audits. The additional assurances referred to in the annex to the initial Council Implementing Decision – namely a Government decision ensuring an effective and efficient implementation of the Recovery and Resilience Plan through establishing the relevant legal mandates or assignments to the authorities involved in the coordination, monitoring, control and audit of the implementation – are to be provided as part of Sweden's first payment request.

The modifications to the original plan and the introduction of the REPowerEU chapter as such do not affect the original assessment. However, in the context of the modification of the Swedish RRP, its audit and control system needs to be reassessed on the basis of criteria 2.10 of Annex V of the RRF Regulation. Since the original assessment, the Commission has had access to information on its actual implementation. This includes the preliminary findings of the audit on the protection of the financial interests of the Union (PFIU) performed by the Commission in Sweden.

In light of this information, the Commission considers that the internal control system of the Swedish RRP is overall adequate, but it has some deficiencies that must be addressed through a strengthening of the audit and control milestone. This relates to a weakness in the procedures on: (i) conflict of interest, (ii) double funding, (iii) detecting fraud and corruption and (iv) collecting data.

***

The nature and extent of the proposed modifications to Sweden's recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the adequacy of the control and audit arrangements proposed by Sweden, as reflected in the previous Staff Working Document SWD(2022) 102 final.

3.11. Coherence

The modifications to the RRP display coherence within each component and show thematic interlinkages and synergies between the different components, in particular those related to the green transition and the newly added REPowerEU chapter. The reform in the REPowerEU chapter improved the coherence of the modified RRP by reinforcing the original measures in the original RRP like the climate and industry leap. In addition, scaling up investments in energy

efficiency of multi-dwelling buildings and rental and student housing furthers the coherence as these measures had links with other measures through the digital transition and addressing social cohesion. The modified recovery and resilience plan includes measures that are complementary with one another. This concerns the components related to green transition, sustainable transport and the new REPowerEU chapter. The modifications do not have contradictory aims or possible negative effects on one another.

***

The nature and extent of the proposed modifications to Sweden's recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the coherence of the actions proposed by Sweden, as reflected in the previous Staff Working Document SWD(2022) 102 final.

3.12. REPowerEU

The REPowerEU chapter contains measures to help address the key energy challenges that Sweden currently faces. The proposed measures contain a reform to shorten the permitting process for electricity grid construction, an investment in energy efficiency in multi-dwelling buildings and an investment subsidy for rental and student housing. These last two measures were part of the original RRP. The measures included in the REPowerEU chapter address four out of the six objectives pursued by the Regulation. The implementation of the proposed measures is expected to effectively promote energy efficiency in buildings and critical infrastructure, tackle energy poverty, create incentives to reduce energy demand as well as address internal and cross-border bottlenecks in energy transmission and distribution.

Reform 6.3 will ease the authorization procedure for expanding the electricity grid. This will help Sweden in reducing its dependence on fossil fuels by allowing further electrification of the economy. Electricity is already a relatively important energy source in Sweden when compared to other Member States. Its electricity is produced almost completely fossil-free and more than half is produced by renewable sources. The major challenge for Sweden to move to carbon-neutrality is to make the transport sector fossil-free (see Country Report Sweden 2020 by the European Commission[4]). Increased electricity needs imply higher demands on grid capacity which will need to be met by expanding grid capacity (see Sweden Country Report 2022[5]). Activities under reform 6.3 contribute to the REPowerEU objective to reduce internal and cross-border energy transmission and distribution bottlenecks. Reform 6.3 will have a lasting impact as the easier authorisation procedure will immediately allow for new permit requests, expand the grid capacity and the faster procedure will not easily be reversed as it responds to a generally-supported need in Sweden's electrification strategy. Reform 6.3 is coherent with other efforts of the Member State. In particular, there is synergy with measures in component 1 (Green Recovery).

Investment 6.1 will strengthen the investments in energy-efficiency in multi-dwelling buildings. A more efficient use of energy in multi-dwelling buildings directly contributes to the REPowerEU

[4] 2020 European Semester: Country Reports (europa.eu)
[5] 2022 European Semester: Country Reports (europa.eu)

objective of increasing energy efficiency in the wider economy. Housing-related energy consumption from households was larger than transport in 2022, according to the Swedish System of Environmental and Economic Accounts. The reduction in energy demand also has multi-country effect in that the total energy demand in the EU is reduced. Activities under reform 6.1 will, thus, contribute to the REPowerEU objective of increasing energy efficiency in buildings with a cross-border and multi-country dimension as defined by REPowerEU. Investment 6.1 will have a lasting impact because the energy-efficiency improvements have a longer-term investment horizon. Investment 6.1 is coherent with other efforts by the Member State and with other measures in the amended RRP, in particular the measures in component 1 "Green Recovery".

Investment 6.2 will enhance the investment subsidy for rental and student housing. Sweden has a persistent housing need, also for rental and student housing. The mismatch between supply of housing and housing demand fosters imbalances in the housing market and in household debt that have macroeconomic implications. Students without wealthy sponsors or substantial income have to rely on the affordable rental accommodation but are placed on a waiting list. The waiting times can run into several years. Higher energy efficiency of the accommodation than the current building regulation prescribes is expected to lower energy costs and, hence, living costs. With the requirements set in such a way that the target group – lower income, less access to the housing market – chances increase that the lower income group stands to benefit most. Activities under investment 6.2 will, thus, contribute to the REPowerEU objectives of increasing energy efficiency in buildings and to reduce energy poverty. The lifetime of the new buildings will secure that the measure has a lasting impact. Investment 6.1 is coherent with other efforts by the Member State and with other measures in the amended RRP, in particular measures in component 5 "Investment for growth and housing" and component 1 "Green recovery".

***

Taking into consideration the assessment of all the measures envisaged in the REPowerEU chapter, the chapter is expected, to a large extent, to contribute effectively to energy security, the diversification of the Union's energy supply, an increase in the uptake of renewables and in energy efficiency, an increase of energy storage capacities or the necessary reduction of dependence on fossil fuels before 2030. This would warrant a rating of A under criterion 2.12 of Annex V to the RRF Regulation.

3.13. Cross-border or multi-country dimension or effect

All three measures in the REPowerEU chapter have a cross-country or multi-country dimension or effect. Whereas the reform will facilitate also new or improved cross-border grid capacity, the two investments contribute through their reduction in energy demand. As a result, they contribute to reducing the dependency on fossil fuels and secure energy supply in the Union

as a whole and can therefore be considered as having a positive cross-border effect as established in the Commission's guidance in the context of REPowerEU[6].

REPowerEU measure with cross-border or multi-country dimension or effect	**Costs (EUR million)**	**Contribution to the target in % of the REPowerEU chapter estimated costs**
Energy efficiency in multi-dwelling buildings	164	58%
Rental and student housing	119	42%
TOTAL		100%

***

Taking into consideration the assessment of all the measures envisaged in the REPowerEU chapter, the measures in the chapter are expected, to a large/moderate extent, to have a cross-border or multi-country dimension or effect. This would warrant a rating of A/B under criterion 2.13 of Annex V to the RRF Regulation.

[6] Commission Notice Guidance on Recovery and Resilience Plans in the context of REPowerEU 2023/C 80/01, pages 21-22

ANNEX I: CLIMATE TRACKING AND DIGITAL TAGGING

(Sub-)Measure ID	(Sub-)Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
1.1.1	Local and regional climate investment – Conversion to renewable energy including bioenergy for heating in industry and agriculture	229	030bis	100%		
1.1.2	Local and regional climate investment – Production of biogas and biofuels	194	030bis	100%		
1.1.3	Local and regional climate investment – Transport (renewable fuel and refuelling points)	140	077	100%		
1.1.4	Local and regional climate investment – Waste (including plastic recycling)	89	045bis	100%		
1.1.5	Local and regional climate investment – Increased efficiency	68	024ter	100%		
1.1.6	Local and regional climate investment – Charging stations for electric cars	58	077	100%		
1.1.7	Local and regional climate investment – Infrastructure	34	077	100%		
1.2.1	Climate investment in the industrial sector focusing on low carbon economy, resilience and adaptation to climate change	244	022	100%		
1.2.1	Climate investment in the industrial sector focusing on circular economy	43	023	40%		
1.3	Energy efficiency in apartment buildings	60	025	40%	033	40%
1.4	Strengthened railway support	78	069bis	100%		
1.9	Formal protection of forests with high natural values for biodiversity	247	050	40%		
2.3	More study places in higher vocational education	104			016	40%

(Sub-)Measure ID	(Sub-)Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
2.4	Resources to meet demands for education at universities and other higher education institutions	308			016	40%
4.1	Joint public administration digital infrastructure	21			011	100%
4.2	Broadband expansion	464			051	100%
5.1	Investment support for rental housing and housing for students	296	025ter	40%		
REPowerEU Chapter						
6.1	Scale-up: Energy efficiency in multi-dwelling buildings	164	025	40%	033	40%
6.2	Scale-up: Investment aid for rental and student housing	119	025ter	40%		

Note: While the total cost of the Swedish recovery and resilience plan exceeds the total allocation of non-repayable financial support to Sweden, Sweden will ensure that all spending related to the measures mentioned in this table as contributing to climate objectives are fully financed by the funds from the Recovery and Resilience Facility.]

Int. Field = intervention field
Coeff. = Coefficient for the calculation of support to climate change objectives and to digital transition, on the basis of Annex VI and Annex VII of the RRF Regulation