

Sweden's Biggest Cities Face Power Shortage After Fuel-Tax Hike



Sweden's introduction on Thursday of a tax aimed at phasing out the nation's last remaining coal and gas plants to curb global warming comes with an unintended consequence for some of its biggest cities.

Hiking threefold a levy on fossil fuels used at local power plants will make such facilities unprofitable and utilities from Stockholm Exergi AB to EON SE have said they will halt or cut power production.

The move means that grids in the capital and Malmo won't be able to hook up new facilities including homes, transport links and factories. While Sweden doesn't have a shortage of power, there's not enough cables to ship it to the biggest cities.

"We don't have a problem with generating enough power in Sweden, we have a problem with getting it to where its needed," Magnus Hall, chief executive officer of state-owned utility Vattenfall AB, said in an interview. "This law was added with short notice and I am not sure a proper analysis of it was made."

The tax was introduced in January in a budget deal between the Center Party, Liberals, Social Democrats and the Greens after record long 18 weeks of negotiations. As only one of 73 points hashed out between the political fractions to reach a compromise, time for thorough analysis was probably slim.