Government Offices of Sweden

EU dependence on imported Russian energy must be broken

The European Commission is working actively to secure a stable energy supply in Ukraine, and the EU must remain unified against Russia's invasion. Those were the key messages from the press briefing held by Minister for Energy and Digital Development Khashayar Farmanbar and European Commissioner for Energy Kadri Simson.

On 18 March, European Commissioner for Energy Kadri Simson visited Stockholm. The European Commission plays an important role in dealing with the consequences of Russia's invasion of Ukraine and ensuring the EU achieves its climate objectives.

"The EU must jointly break its dependence on Russian fossil fuels to secure its energy supply and reduce energy costs for both industry and households," says Minister for Energy and Digital Development Khashayar Farmanbar.

"Russia's war in Ukraine underscores the urgency of accelerating our clean energy transition in the EU and breaking free from our dependence on Russia's fossil fuels as soon as possible," says Ms Simson.

Sweden's dependence on nuclear fuel, oil and gas from Russia is low, whereas large parts of Europe are heavily dependent on Russian energy imports. Around 40 per cent of gas imports, 27 per cent of oil imports and 46 per cent of coal imports to the EU come from Russia.

Mr Farmanbar and Ms Simson both emphasise the green industrial revolution in northern Sweden as a good example of how the European Green Deal can work in practice.

"Sweden is a good example of how we in the EU can phase out our

dependence on imported fossil fuels while also being innovative and competitive," says Ms Simson.

In July 2021, the European Commission proposed a revision of the EU Renewable Energy Directive, including more stringent requirements for bioenergy to be classified as sustainable.

"We must quickly find a sustainable replacement for gas. Therefore, it is counterproductive to introduce new restrictions on bioenergy, which is the dominant form of renewable energy in the EU. Moreover, we need to break free from the dependence on Russian fossil fuels," says Mr Farmanbar.

Swedish companies are investing heavily in the production of fossil-free steel. This technology can help reduce total national emissions by ten per cent, but the production process requires a lot of electricity. Nevertheless, Sweden has a good starting point with its national surplus of essentially fossil-free electricity and high proportion of renewable electricity.

"But I am concerned that the Commission's proposal on new electricity production requirements may slow the green industrial revolution. Greater flexibility is needed," says Mr Farmanbar.

Mr Farmanbar and Ms Simson also discussed the high prices in the energy market, and Mr Farmanbar highlighted the Swedish model for electricity price compensatory payments.

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Efforts to bolster EU energy security need to intensify

The Government considers that concrete changes need to be made to the European energy supply. EU Member States need to reduce their dependence on Russian energy. This was conveyed by Minister for EU Affairs Hans Dahlgren and Minister for Energy and Digital Development Khashayar Farmanbar at a press briefing.

In light of the serious security situation, Mr Dahlgren and Mr Farmanbar held a press briefing on Sunday regarding the energy security situation in the EU.

“The security situation clearly shows that we need a more secure and sustainable energy supply in Europe. It’s time to intensify efforts to strengthen the EU’s energy security,” said Mr Dahlgren.

The Swedish Government takes the position that the EU should not be dependent on a few external suppliers to manage its energy supply. In the long term, the EU should, to a large extent, supply its own energy.

Sweden already has a low dependence on imported nuclear fuel, oil and gas from Russia. By contrast, large parts of Europe are highly dependent on Russian energy imports. The consequences of this dependence are now showing on the energy markets, and in Sweden in the form of increased energy prices.

“The Government wants to see two concrete changes to the European energy supply. Firstly, the EU needs to stop depending on Russian gas. Secondly, the EU Member States need to stop importing nuclear fuel from Russia. I believe there is a broad consensus in the EU that it’s not sustainable to depend on Russia for our energy supply. Given the current situation, it’s more important than ever to increase our own production of renewable energy to accelerate the transition and break the dependence on imported

energy," said Mr Farmanbar.

About two per cent of the total Swedish energy supply consists of natural gas, and an estimated half of this come from Russia. However, several EU countries are dependent on Russian gas to manage their energy supply.

"That's unsustainable from both a security and a climate perspective. The shift away from Russian gas will not happen overnight, and the entire EU needs to help with these efforts," stated Mr Farmanbar.

At the press briefing, Mr Dahlgren also presented a third initiative.

"Climate transition must be accelerated. We must replace our dependence on fossil fuels – not just Russian gas – with fossil-free alternatives. Making the EU self-sufficient in energy would be a very important reform, in terms of both energy policy and security policy. We need to do this to improve both our climate and our security," concluded Mr Dahlgren.

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Government Offices of Sweden

The situation regarding Sweden's energy supply in light of Russia's invasion of Ukraine

On Friday, 25 February, the Government received an updated picture of the situation from the Swedish Energy Agency. At present, the assessment is that there is no acute risk of shortages or supply disruptions in the supply of electricity, gas or fuel in Sweden. Sweden's energy supply is to a low degree directly dependent on Russian energy supplies, and reports show that energy supplies from Russia are functioning normally, which means that there are currently no indications of a rapidly approaching shortage. At the same time, it is already possible to see that the situation is affecting prices in the European energy market, and thus also Swedish consumers.

Electricity prices

Electricity prices have been subdued in January and February compared with December 2021. Recent temperatures have been relatively normal, with high wind power production and normal water levels in Sweden's reservoirs.

Due to the Russian invasion of Ukraine, fossil fuel prices have risen, which affects the price of electricity in countries where these fuels are used for electricity generation to a great extent. This will continue to affect electricity prices in southern Sweden. Recent electricity prices have been relatively constant, with a continued large price difference between northern (SE1 and SE2) and southern (SE3 and SE4) Sweden. In Germany and several other European countries, prices remain at a significantly higher level.

Gas

Russian exports of natural gas account for about one fifth of European gas supplies, but the figure fluctuates from day to day. The ongoing conflict risks affecting Russian gas exports to Europe. At present, however, the assessment remains that the risk is relatively small.

Sweden's energy supply is to a low degree directly dependent on Russian gas supplies. Only two per cent of the total Swedish energy supply consists of natural gas, and an estimated half of this could currently come from Russia.

After the very high natural gas prices in December, natural gas prices fell in January and February. With Russia's invasion of Ukraine, an increasing trend is once again being seen.

Oil

Sweden has low direct dependence on Russian oil imports. In 2021, Russian crude oil imports accounted for about 8 per cent of total Swedish crude oil imports. It is expected that the crude oil imported from Russia could be supplied by other operators if necessary.

In the event of disruptions

If supplies of oil and natural gas from Russia are affected for any reason, it will probably have direct consequences for the Swedish natural gas supply and indirect consequences for the Swedish oil and fuel supply.

However, an interruption in Russian exports does not necessarily mean that a shortage situation will arise in Sweden; the consequences will depend, among other things, on being able to use reserves, other suppliers, weather and temperatures, and on how long the interruption lasts.

The Swedish Energy Agency will lead the work in the event of a supply crisis. The Agency is clear that the situation in Ukraine does not currently give rise to any crisis measures in Sweden.

On Monday, 28 February, Minister for Energy Khashayar Farmanbar met with EU energy ministers and discussed the situation on the energy markets in light of the crisis in Ukraine.

The assessments communicated are based on the situation as it currently stands. This may change.

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