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Swedish Politics and the EU Electricity Market Reform

ABSTRACT

High electricity prices have become a defining issue in Swedish politics, prompting a range of policy proposals to protect both domestic industry and households alike. This article sets out the different policy options and shows that they fall into two groups: measures that shield consumers while keeping Sweden inside the integrated European market – chiefly state-backed long-term contracts and similar hedges – and measures that protect consumers by loosening the link to European prices, such as separating domestic from export prices or capping them. What the debate rarely makes explicit, and what this article puts at its center, is the distribution between consumers and producers: interconnection tends to raise the prices consumers and industry pay, while raising the revenues producers earn. The real question is therefore not whether to protect consumers, but instead how to share the financial burden between consumers and producers without discarding the price signals integration depends on.

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1. The argument in brief

This paper's central argument is that European electricity market integration is not merely a question of efficiency. Integration tends to raise the prices which Swedish consumers and Swedish industry pay, while increasing producer profits and congestion income, so Sweden gains nationally even as the domestic distribution of costs and benefits is uneven. This is exactly why some Swedish politicians want to limit integration. For EU electricity market reform to maintain legitimacy more broadly, demonstrating efficiency gains at the system level will not be enough: policymakers will also need to address questions of distribution, compensation, and risk-sharing.

The remainder of the paper grounds this argument in the Swedish case: it first sketches Sweden's electricity system and the political debate it has sparked, then sets out current and proposed policies, and assesses them along four dimensions: EU compliance, cost, distribution, and market impact, before returning, in the final sections, to what this implies for EU electricity market reform's own legitimacy.

2. EU electricity market reform

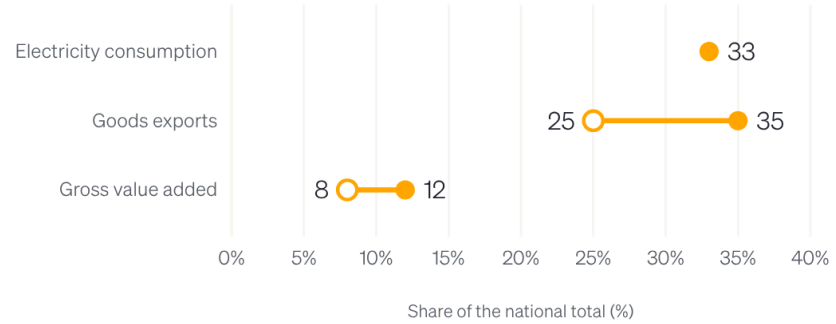
Two distinct EU reforms are relevant to this debate and are named specifically wherever the distinction matters. The Grids Package, presented in December 2025, addresses transmission infrastructure: cross-border cost-sharing, coordinated planning, and permitting. The 2024 Electricity Market Design reform (Regulation (EU) 2024/1747) governs market design and pricing tools, including contracts for difference and power purchase agreements. Where the text refers more generally to "EU electricity market reform," it is speaking to the combined direction of this broader EU reform agenda rather than to either instrument specifically.

3. Sweden – a short energy system characterization

Sweden has relatively high electricity consumption, both per capita and in relation to GDP. The main reason for this high electricity consumption is the large share of heavy industry, such as steel and pulp and paper. These heavy industries account for roughly

Figure 1 · Energy-intensive industry's footprint in the Swedish economy

Share of the national total, %



Source: Statistics Sweden (SCB, 2025); Skogsindustrierna, Jernkontoret, IKEM, Svemin and Energiföretagen Sverige (2024), "Fakta om elintensiv industri i Sverige".

How to read: Goods exports and gross value added are given as ranges in the sources.

1/3 of the nation's total electricity consumption, and benefit greatly from relatively low electricity prices in Sweden, while also being largely exempt from electricity tax. Energy-intensive industries, such as steel, mining, pulp and paper, and chemicals, account for approximately 8–12% of Sweden's gross value added and around 25–35% of Swedish goods exports (Figure 1; SCB National Accounts; Skogsindustrierna et al., Fakta om elintensiv industri i Sverige).

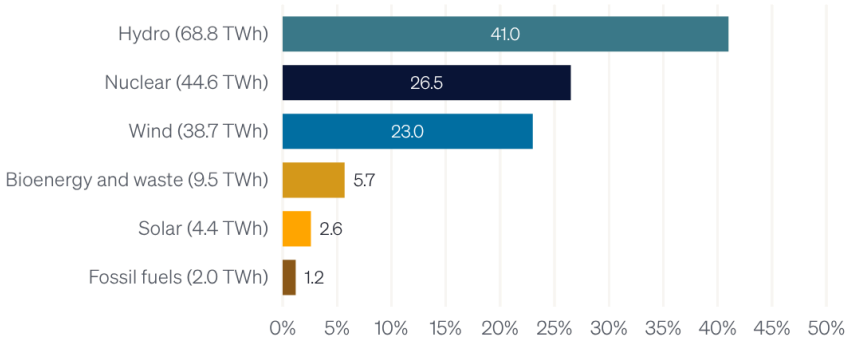
The second reason is that heating is largely based on electricity, sometimes even direct electric heating, without heat pumps. The heating sector in Sweden is mostly decarbonized already, but the monthly expenditure for some households, particularly those with direct electric heating, depends heavily on electricity prices.

Electricity prices in Sweden have historically been considerably lower in comparison to other European countries. This is in large part due to the country's electricity mix (Figure 2), which consists of generators with low marginal cost: wind at zero marginal cost, hydropower where bids vary but are generally low, and nuclear, which typically bids into the market at 10–20 €/MWh. On top of this, Sweden was also one of the first countries in Europe to liberalize its electricity market in 1996.

However, in southern Sweden, prices rose sharply in 2021–2022 and have remained elevated relative to pre-2020 levels (Table 1).

Figure 2 · The Swedish electricity mix, 2025

Share of total electricity generation, % (generation in TWh)



Source: Energiföretagen Sverige, "Energiåret 2025" (January 2026); Ember (2026); Ekonomifakta (2026).

The reason behind the development is twofold: Several nuclear reactors located in the south have been decommissioned and have not been replaced with new generation. At the same time, prices have risen in neighboring countries, thereby contributing to higher Swedish prices. Since Sweden is a large net exporter (Table 2), prices in southern Sweden are heavily impacted by continental prices. Existing estimates suggest the two are not independent: Lundin (2026) estimates a 1 GW reduction in Swedish nuclear capacity raises Stockholm-area day-ahead prices by about 28%, while Holmberg and Tangerås (2023) attribute the SE3/SE4 divergence primarily to the continental energy crisis, with domestic nuclear shutdowns acting as an exacerbating rather than independent factor.

4. Electricity at the center of the political debate

Sweden's price regions (SE1–SE4) were established in 2011, after the European Commission raised concerns that Svenska kraftnät's practice of curtailing export capacity during domestic congestion may have breached EU competition rules (European Commission, 2010). Svenska kraftnät's 2010 commitments committed it to manage congestion through bidding zones instead. The underlying obligation, that TSOs cannot restrict cross-border capacity to solve

Table 1 · Average annual electricity prices in Swedish bidding zones (SE1–SE4), 2018–2025

Day-ahead market, annual average, [unit to confirm by the authors: öre/kWh or €/MWh]

YEAR	SE1	SE2	SE3	SE4
2018	45.4	45.4	45.8	47.6
2019	40.1	40.1	40.6	42.1
2020	15.0	15.0	22.1	26.9
2021	43.2	43.3	67.0	81.7
2022	63.4	66.4	137.9	162.0
2023	45.7	45.7	59.2	74.4
2024	28.6	28.1	40.9	56.9
2025	18.5	18.3	51.4	67.2

Source: Nord Pool (2026).

Table 2 · Net electricity exports

Net exports, % of domestic consumption

COUNTRY	NET EXPORTS (% OF CONSUMPTION)
Sweden	27
France	22
Slovenia	19
Norway	14
Slovakia	13
Czech Republic	12
Austria	10
Spain	4

Source: Euronews (2025).

internal bottlenecks, is now enshrined in EU law (Regulation (EU) 2019/943) and remains binding and a continuing source of friction.

Back in 2011, the change to price regions was not met with any significant public opposition, as electricity prices were still low overall.

Between 2017 and 2020, several nuclear reactors were decommissioned and, as a consequence of this removal of supply, prices started to rise, which sparked a minor debate. It was not until 2021

that prices really started to surge and electricity became a hot topic in Swedish politics. This was driven primarily by a Europe-wide tightening of gas and power markets that predates the war in Ukraine and, as noted above, hit southern Sweden particularly hard given its earlier closure of Ringhals 1 and 2. In 2022, the gas crisis caused power prices to surge across Europe, including in Sweden. As a reaction to the imminent energy crisis, the parties then in opposition on the right (the Moderates, the Christian Democrats and the Liberals, together with the Sweden Democrats) accelerated their promotion of new nuclear power, which in turn made the electricity issue come to the forefront even more. The nuclear debate is widely considered to have contributed to these parties' electoral success in 2022 (Svenska Dagbladet, 2024; SOM Institute, 2023; Swedish Election Study, 2022). In the September 2026 election, by contrast, the outgoing government and its supporting party lost their majority.

The larger question underpinning the sometimes-heated debate could be summarized as: "Should Sweden still be integrated with the European market, or should Swedish consumers be shielded from the influence of European prices?" However, it is important to note that the debate is not merely about prices. The debate also encompasses the question of whether electricity should be viewed as a strategic national asset whose primary purpose is to support Swedish households and Swedish industry, or whether its value should be determined through an integrated European market. These considerations have implications not only for the proposed changes in the Grids Package, but also for the broader direction of the integrated European electricity market.

5. Current and recent policy for electricity

There are three main existing national Swedish policies for electricity consumption:

- **Industry exemption from tax.** Energy-intensive industries (e.g. steel, chemicals, pulp & paper, refineries) pay very low or no tax on electricity (<0.5 €/MWh) under a two-tier system: any industrial manufacturing process can reduce electricity tax to near zero, while full exemption applies specifically to metallurgical and mineralogical processes (e.g. steelmaking, cement, glass), a category defined by EU law (Council Directive 2003/96/EC), not

BOX 1 · THE NORWAY PRICE IN COMPARISON

The Norwegian price reform. Since October 2025, Norway has offered households the option of purchasing electricity through the state-backed "Norway Price" scheme, which fixes the energy component of the electricity price at 40 øre/kWh (approximately €40/MWh) excluding VAT (Government of Norway, 2025). Critics of the Norwegian reform have argued that the scheme is likely to increase electricity consumption and contribute to higher wholesale electricity prices in interconnected markets (CMS Kluge Advokatfirma AS, 2025).

The Norwegian reform also illustrates how electricity subsidies can have distributional effects that extend beyond national borders. CMS Kluge Advokatfirma (2025), in a legal opinion commissioned by ZERO and allied Norwegian industry and environmental groups, argue that by lowering the effective electricity price for Norwegian consumers, the policy increases domestic demand and could contribute to higher wholesale prices in interconnected markets – an argument made rather than a settled figure. If that assessment holds, Norwegian consumers would benefit from lower effective prices while consumers in neighboring countries face higher market prices. More generally, the reform illustrates how such measures affect the distribution of welfare between governments, consumers and electricity producers, since part of the economic value created in the market is redistributed through public support schemes.

by company identity. The rationale is to preserve competitiveness for trade-exposed industry and avoid double-regulation, since these industries already pay for emissions under the EU ETS.

- **Electricity price compensation.** A compensation scheme was introduced in 2022 as a response to the gas crisis, which reimbursed households and businesses per kWh consumed between October 2021 and September 2022. The scheme was financed through transmission congestion rents collected by the Swedish TSO (Svenska kraftnät).
- **Price caps.** From November 2025 to December 2026, there is a cap for households, beyond which the government will reimburse consumers. The cap is set at 1.50 SEK/kWh (about 140 €/MWh), averaged over the month (Regeringskansliet, 2026b). In addition, the tax on electricity is lowered by 10 €/MWh, starting in January 2026.

6. Proposed future policy and changes to the market

Three concrete models aimed at Swedish electricity consumers have been proposed:

- **Sverigepriser ('Swedish prices').** Proposed by the Left Party (Vänsterpartiet), it entails separating the domestic market from the export, so that prices on the domestic market would be set by Swedish demand. After that demand is satisfied, exports could be allowed at a higher price. Swedish consumers would then pay the lower price.
- **Folkhemsel ('welfare electricity').** Proposed by the Social Democrats, it stipulates that the state would buy long-term contracts and let consumers buy a share (60%) of a normed electricity consumption at the secured price that the state is able to negotiate with producers.
- **Price caps.** Introduced by the outgoing government as a subsidy for households (see above). If the average spot price in a given month exceeds 1.50 SEK/kWh, consumers would be reimbursed for the difference. The subsidy is financed by the government.

Propositions a) Sverigepriser and b) Folkhemsel have the possibility of not being limited to just household consumption, but also heavy industry. Proposition c), price caps, are solely meant for households. Even if it were to include industry, a threshold of about 140 €/MWh is likely too high a price for an energy-intensive industry to cope with long-term.

In addition, there have been several occasions on which Swedish politicians have expressed a will to stop all future connections, or even to "cut the cables" to the continent (see e.g. Dadgostar & Lahti, 2021, for the Left Party; in 2026, amid the dispute over the Grids Package, the energy minister announced that Sweden would not invest in new cables to continental Europe: Regeringskansliet, 2026a; SVT Nyheter, 2026).

At first glance, the three proposals a)–c) appear fundamentally different. However, they largely represent alternative approaches to the same challenge: how to protect consumers from electricity price volatility while maintaining security of supply and investment

incentives. Not all interventions are anti-market. The key distinction is between policies and political messaging that redistribute risk while preserving market integration and those that seek to decouple Sweden from European price formation. This distinction is useful for understanding both the Swedish debate and its implications for the EU Grids Package.

7. The effect on welfare distribution and markets from current and proposed electricity policies

Building on the three models just introduced, this section assesses each along four dimensions: compliance with EU market rules, cost to the state, distributional effects for households and industry, and impact on investment and market functioning (Table 3).

Sverigepriser. The policy stipulates that the price on the Swedish market be different from those on the export market. The price target is about 40 öre/kWh, framed as benefiting households and companies (Vänsterpartiet, 2024), i.e. a flat rate without distributional targeting between income groups or rural/urban dwellers. Its consistency with EU regulation is disputed by the transmission system operator Svenska kraftnät (SVT Nyheter, 2022; Sveriges Radio, 2022). Power producers would receive the lower domestic price without compensation. The cost is thus absorbed via reduced producer revenue, and is not a subsidy from the state (Vänsterpartiet, 2023). Thus, it is the producers that pay the cost of the reform. The impact on the future market may be substantial: if producers are limited to selling a large part of their electricity production at a lower "Swedish" price it is likely that this would affect the incentives for new investments in Sweden. On the consumer side, it may reduce incentives for energy efficiency measures and increase consumption; early Norwegian evidence points to slightly higher household consumption under the Norway Price, although the effect is small and still uncertain (Gautam & Andresen, 2026). The proposal would amount to a partial re-regulation of the market.

Folkhemsel. The proposed policy may considerably increase the market share for long-term contracts, addressing a structural weakness: trading volumes on the Nordic forward/futures market are currently small, which has been a concern for the European Commission (European Commission, 2023; ACER, 2024; Nasdaq

Commodities, 2024), since thin liquidity makes forward prices less reliable and more costly to trade, weakening retailers' ability to offer stable fixed-price contracts and blunting the long-term price signals investors need to finance new generation. Unlike Sverigepriser, Folkhemsel's compliance with EU market rules has not been independently tested: Social Democrat MP Isak From has claimed "the EU has opened up for this kind of solution," but no legal opinion or regulator assessment comparable to Sverigepriser's has been made public (Folkbladet, 2023). Because the state acts as guarantor rather than direct payer, the arrangement reduces risk on both sides of the contract: producers gain revenue certainty, which may lead them to accept a lower price, while the state's exposure is limited to its guarantee role rather than an ongoing subsidy, potentially making the scheme less costly for public finances than a direct payment scheme. The actual average price paid by consumers therefore depends on companies' appetite to sell electricity on long-term contracts with the state. The proposal does, however, leave open who would bear the cost if contracted prices end up above future market prices, and no comparable scheme has been tested in Sweden. The main market impact is likely to be a higher volume traded on long-term markets, with ramifications for the day-ahead market as well. Unlike the reform in Norway, where all electricity consumption has become cheap, Folkhemsel's limit to 60% of "normal" consumption would still provide an incentive for households to save electricity and invest in energy efficiency.

Price caps. Although the construction of the subsidy is similar to the Norwegian reform, the current level of the price cap is set at a relatively high average monthly spot price and is mostly relevant at prices similar to those during the gas crisis. In fact, 2025 did not see any month in any price region where average prices exceeded the threshold; the highest monthly average was 104 €/MWh, in SE4 (Nord Pool, 2026).[1] No EU compliance question arises, since it is a budget transfer rather than a market intervention. The scheme is budgeted at 1 billion SEK for the period November 2025 to end of 2026, a ceiling on state exposure rather than a reflection of expected use (Tidningen Energi, 2025). The threshold was crossed for the first time in October 2026, when the monthly average in SE4 reached about 1.57 SEK/kWh, triggering support of 7 öre/kWh on 90% of household consumption

1 The average price may be seen as an indication: depending on time of consumption, some households' average cost may exceed the average price.

Table 3 · Summary of the proposed electricity reforms in Sweden

	SVERIGEPRISER	FOLKHEMSEL	PRICE CAPS
Market integration	no	yes	yes
Consumer protection	yes	yes	partly
Bearer of cost	Producers	–	State
Bearer of risk	–	State	–

in SE4 (Regeringskansliet, 2026b). It is also the most narrowly targeted of the three proposals distributionally: unlike Sverigepriser and Folkhemsel, which can both extend to companies, price caps are explicitly household-only by design. Because the scheme leaves day-to-day price formation and dispatch decisions untouched, it has no discernible effect on investment incentives or market functioning.

Price caps are of course already in place, but, at the high level of the cap, may be viewed more as a crisis measure. The current cap runs until December 2026, and no decision has been taken for 2027 (Regeringskansliet, 2026b), so whether it is extended is a decision for the incoming government. The Social Democrats, the proponents of Folkhemsel, remained the largest party in the September 2026 election, and the center-left bloc won a narrow majority of 176 of the Riksdag's 349 seats. Whether Folkhemsel is implemented, and in what form, will however depend on negotiations with the Centre Party, the Green Party and the Left Party, the latter of which made the largest gains in the election and has campaigned for Sverigepriser rather than Folkhemsel. At the time of writing, government formation is still ongoing.

8. The promotion of new nuclear and how it plays into the grid debate

The parties of the outgoing government have made new nuclear power central to their electricity policy, arguing that it is needed to secure supply. Several studies, as well as recent experience from the UK and Finland, put levelized costs for new nuclear in the range of 100–200 €/MWh (OECD/NEA & IEA, 2020; UK National Audit Office, 2024; analyses of Hinkley Point C and Olkiluoto 3). With a

change of government, however, state support for new nuclear may be reconsidered. The commitment to new nuclear has now moved from plan to project: in June 2026, Vattenfall's Videberg Kraft selected Rolls-Royce to build three small modular reactors (SMRs) at the Ringhals site, adding around 1.5 GWe of capacity (Rolls-Royce SMR, 2026). Proponents often argue that the 100–200 €/MWh range overstates future costs, since it reflects first-of-a-kind builds rather than the standardized reactors or SMRs now being proposed. Critics counter that meaningful cost reductions for SMRs depend on learning-by-doing effects that require serial production at a scale that is decades away even in optimistic deployment scenarios (Nøland et al., 2026).

New nuclear power has become a defining policy of the outgoing government and is described as having strengthened cohesion within the coalition (Svenska Dagbladet, 2024). Both the cost of new nuclear and who will pay for it remain unclear; ultimately the cost has to be borne by taxpayers or consumers. At the same time, public concern about high electricity bills coexists with broad support for state financing of nuclear construction (Svenskt Näringsliv, 2025).

Even though the nuclear investments will likely be costly, the addition of low marginal cost generation, such as nuclear, will have a dampening effect on spot market prices. When interconnectors are congested, this will widen the price difference between Sweden and neighboring countries; when they are not, the lower Swedish prices will spill over to its neighbors (based on standard wholesale market merit-order effects; see ACER, 2024; Lundin, 2026). The Norwegian subsidy serves as a useful analogue: it illustrates that electricity policies rarely affect only the intended beneficiaries. Measures designed to protect domestic consumers often redistribute costs and benefits across countries, producers, consumers and taxpayers, highlighting that many electricity reforms are ultimately questions of distribution as much as efficiency.

New nuclear is thus not only a generation policy. Because it affects future price differentials between Sweden and neighboring countries, it also affects the political sustainability of market integration.

9. Why electricity is a favorite among politicians, and a way forward

Electricity has become one of the most politically attractive policy areas in Sweden because it combines three characteristics rarely found together.

First, electricity is deeply connected to Sweden's industrial identity. For more than a century, access to abundant and inexpensive electricity has been viewed as a strategic national asset. Energy-intensive industries such as steel, mining, and pulp & paper continue to play an outsized role in exports and regional employment, see Figure 1. As a result, electricity prices are often discussed not merely as a consumer issue but as a question of national competitiveness and industrial policy.

Second, electricity directly affects household welfare. Unlike many European countries, Sweden relies heavily on electricity for heating. Many households therefore experience electricity prices as a visible and sometimes dramatic component of monthly expenditures. During periods of high prices, electricity becomes a highly salient political issue in a way that wholesale gas prices or industrial fuel costs rarely do.

Third, electricity is uniquely suited to symbolic politics. Most voters have limited visibility into the details of electricity markets, transmission constraints, balancing requirements, or investment incentives. This creates room for political actors to present simplified narratives and seemingly easy solutions. New nuclear power, price caps, state-backed contracts, and national electricity prices all offer easily communicable stories about how the state can regain control over prices.

The political conflict is partly centered around technology. However, nuclear power, offshore wind, interconnectors, and storage are often proxies for deeper disagreements about the purpose of the electricity system. One concerns risk allocation: who should bear exposure to market prices and volatility. A second concerns whether electricity should be treated primarily as a market commodity or as a strategic public utility. A third concerns industrial policy and competitiveness: whether Sweden's energy-intensive industries should continue to benefit from relatively low electricity prices as part of the country's economic model.

Viewed from this perspective, many of the proposed reforms can be understood as different responses to these underlying questions. Folkhemsel shifts price risk from households toward the state through long-term contracts. Price caps shield consumers from extreme outcomes. Sverigepriser seeks to prioritize Swedish consumers and potentially Swedish industry over export-market price formation. The long-standing tax exemptions for energy-intensive industries likewise reflect a political choice to treat electricity as a strategic input to industrial competitiveness rather than as an ordinary taxed commodity.

A constructive way forward would be to move the debate beyond the dichotomy of market-based versus politically controlled prices, and instead shift the discourse towards a more explicit discussion of risk-sharing. The challenge is not to eliminate market signals altogether, but to determine which actors should be protected from high prices and volatility, under what circumstances, and who ultimately finances that protection. Such a discussion would likely reveal that many seemingly different policy proposals are in fact competing approaches to the same underlying problem.

10. How this impacts European collaboration on electricity market reform

Before turning to the Swedish case, it is worth summarizing what the EU Grids Package aims to do, in simplified terms:

- **Increased connection:** expanding and reinforcing cross-border transmission capacity between member states.
- **Cost sharing:** allocating the costs of new infrastructure across the countries that benefit from it, through more effective EU-level cost-sharing tools.
- **More centralized planning and permitting:** coordinating grid planning and streamlining permitting at the EU level, narrowing the room for purely national decisions on where and how new infrastructure gets built and approved.

The Swedish debate illustrates a broader challenge facing European electricity integration. The original rationale for interconnection was

Table 4 · Average demand, interconnection capacity and interconnection ratio

Gigawatts and %

COUNTRY	AVG. DEMAND (GW)	INTERCONNECTION (GW)	RATIO (%)
Denmark	4	8	200
Austria	8	12	150
Finland	10	7	70
Sweden	16	11	69
Norway	15	9	60
France	51	30	59
Germany	57	28	49
United Kingdom	30	11	37
Spain	28	6	21

Note: Ratio = interconnection capacity / average demand; authors' calculation based on Ember (2025).

Source: Ember (2025).

relatively straightforward: larger markets improve security of supply, lower system costs, and facilitate the integration of renewable energy. These benefits remain substantial. However, the political costs of integration have become increasingly visible as more transmission raises wholesale prices in formerly low-cost regions.

For Sweden, the paradox is particularly striking. The country is a major net exporter of electricity (Table 2), possesses large volumes of low-marginal-cost generation, and has a high interconnection ratio relative to demand for a non-transit country (Table 4). Yet many consumers in southern Sweden increasingly perceive European integration not as a source of security and prosperity, but as a mechanism through which expensive continental electricity raises domestic prices.

This perception is important regardless of whether it is economically correct. Public acceptance is ultimately a prerequisite for further integration. If voters conclude that interconnectors primarily export cheap domestic electricity and import high prices, support for new transmission investments may weaken. Political pressure may then emerge for national price zones, export restrictions, state-backed

contracts, or other mechanisms designed to partially decouple domestic consumers from European markets.

From the perspective of the EU Grids Package, this creates a fundamental tension. The package aims to deepen coordination, strengthen cross-border infrastructure, and improve system efficiency at the European level. At the same time, many member states are experimenting with policies that reduce consumer exposure to market outcomes, including price caps, regulated contracts, and various forms of state intervention. While such measures may be politically necessary, they can also weaken the price signals upon which integrated markets depend. This tension applies mainly to measures that decouple domestic prices from European price formation, such as separate domestic pricing as proposed in Sverigepriser; financial instruments such as two-way contracts for difference and PPAs redistribute risk without distorting dispatch or cross-border price signals. Concretely, two related pieces of EU legislation bear on the Swedish proposals discussed above. The Grids Package focuses on cross-border cost allocation, cost-sharing tools for infrastructure, and coordinated planning and permitting, alongside the pre-existing rule guaranteeing cross-border trading capacity that Sverigepriser sits in tension with, since it explicitly decouples the domestic price from the European one. The two-way CfD instrument, meanwhile, stems from a separate reform rather than the Grids Package itself. Folkhemsel resembles this CfD instrument, though its consumer-facing design differs from the producer-facing instrument the reform anticipates. Price caps, set above the levels usually reached in practice, engage with none of these provisions directly and function more as a crisis backstop than as an instrument that interacts with European market design.

The Swedish case therefore highlights a broader governance challenge for the EU. Technical integration has advanced faster than the political mechanisms needed to distribute its benefits and costs. Citizens typically experience electricity prices at the national level, while many of the factors influencing those prices operate at the European level. The result is a growing gap between the geography of decision-making and the geography of political accountability.

As argued at the outset, EU electricity market reform's legitimacy will not rest on demonstrating efficiency gains at the system level alone. If the gains from integration are perceived to accrue primarily to pro-

ducers, exporters, or neighboring countries while households bear the cost, political resistance is likely to grow. Conversely, if mechanisms can be developed that visibly share the benefits of integration while protecting consumers from extreme outcomes, support for a more interconnected European electricity system may prove more durable. There is also a Swedish case to be made here: a standard efficiency-focused cost-benefit test may understate what is at stake for a country whose industrial competitiveness depends on low electricity costs, and may give too little credit for reforms Sweden has already undertaken, from liberalizing its electricity market in 1996 to introducing bidding zones in 2011, that have made it one of the most interconnected and export-oriented electricity systems in Europe.

In this sense, the Swedish debate should not be viewed as an exception. Rather, it may be an early indication of the political questions that many EU countries will confront as electricity systems become more deeply interconnected. Similar dynamics are already visible elsewhere: France pairs regulated retail tariffs with market coupling, the Iberian exception capped the gas price used in setting Spanish and Portuguese wholesale prices in 2022–23, and Greece has used state-backed PPAs to shield consumers – all variations on the same underlying question of how to distribute integration's costs and benefits.

Conclusion

The Swedish debate over electricity prices is often presented as a conflict over technology, particularly between advocates of nuclear power on the one hand, and those favoring renewable energy sources on the other. However, this is only part of the story. Beneath the discussion of generation technologies lies a broader debate about the purpose of the electricity system itself.

Three questions run throughout the Swedish debate. The first concerns risk and volatility: how much exposure households and businesses should have to fluctuating market prices. The second concerns the status of electricity as a strategic national resource: whether Swedish consumers should be fully exposed to prices formed in an integrated European market, or whether access to affordable electricity should be treated more like a public utility. The third concerns industrial competitiveness and the future of Sweden's

energy-intensive industries, which have historically benefited from abundant and relatively inexpensive electricity.

Many of the policy proposals currently under discussion, including price caps, state-backed long-term contracts, national pricing schemes, and support for new generation capacity, reflect different answers to these three questions. While they differ substantially in their implications for market functioning and public finances, they all seek to reconcile domestic political priorities with the realities of an increasingly integrated European electricity system.

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