



**NEW ZEALAND**  
**FOREIGN AFFAIRS & TRADE**  
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**SEPTEMBER 2024**

# **Northern Sweden's Green Industrial Revolution**

MARKET INTELLIGENCE REPORT

# Summary

- Northern Sweden is undergoing large-scale industrial development, with a focus on green transition industries. Through a mix of policies and incentives the government hopes to boost the economy in this traditionally poorer area of the country.
- However, rapid industrialisation in northern Sweden is not without difficulty with increasing pressure on Sweden's infrastructure. Other challenges include shortages of: skills, housing, schooling, healthcare, and other services.
- In recognition of the need for a coordinated approach, the Swedish government launched a Strategy for New Industrialisation and Societal Transformation in Norrbotten and Västerbotten regions in June 2024.

# Report

The northern regions of Sweden are undergoing large-scale industrial development, particularly within green transition industries. More than NZD 158 billion will be invested in green industrial development in the coming decades, with several government incentives in place to support sustainable businesses.

In response to the complexity and scale of investment required, the government launched a Strategy for New Industrialisation and Societal Transformation in Norrbotten and Västerbotten regions in June 2024. The strategy outlines seven target areas:

- Innovative working methods
- More efficient environmental permit processes
- Secure energy supply
- Transport infrastructure
- Population and housing provision
- Increased capacity and flexibility in education and up skilling
- Strengthening municipal capacity

In connection with the strategy, [Svenska Kraftnät](#) has been tasked to create a proposal on how electricity and hydrogen infrastructure can be efficiently co-planned to support ongoing industrialisation in Norrbotten and Västerbotten. Svenska Kraftnät must also present a plan for the expansion of electricity and hydrogen infrastructure for the period 2024–2033.

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## Business incentives

Sweden has a history of offering green incentives for promoting sustainable businesses. Sweden is a research and development (R&D) intensive nation, with government spending totalling 3.4% of GDP, generous R&D grants, and competitive tax conditions and tax relief schemes. This makes Sweden an attractive destination for overseas companies looking to invest in Sweden.

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# Sustainability incentives

*The Industrial Leap* and *Climate Leap* are two government programmes supporting Sweden's green transition. [The Industrial Leap](#) introduced in 2018, supports the transition of Swedish industries towards net-zero greenhouse gas emission by 2045. The Industrial Leap supports technological advances that contribute to the green transition in three areas:

- Reduced greenhouse gas emissions from the process industry;
- Negative carbon dioxide emissions/Bio-energy with carbon capture and storage;
- Strategically important initiatives within industry that support the net zero emission transition on a societal level.

The Industrial Leap is managed by the Swedish Energy Agency and funding is available to all types of R&D projects and investments. The programme totalled NZD 230 million in 2024 and can fund projects that run until 2031. The venture is part of the European Union's (EU) [Recovery and Resilience Facility](#) (RRF) and [NextGenerationEU](#).

The [Climate Leap](#) supports physical investments that reduce greenhouse gas emissions with a focus on new technology. The programme supports investments in numerous sectors including transport, agriculture, and infrastructure. Like the Industrial Leap, the Climate Leap is co-financed by the EU's recovery fund NextGenerationEU. Companies can obtain grants for up to 70 per cent of the investment cost. The programme is managed by the Swedish Environmental Protection Agency and the County Administrative Boards. The state budget for the Climate Leap is approximately NZD 0.8 billion in 2024.

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## Innovation incentives

[Vinnova](#), the [Swedish Energy Agency](#), and [Formas](#) also fund programmes for collaboration in R&D that contribute to sustainable solutions to global challenges. Approximately NZD 1.5 billion has been allocated to this work.

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## Regional incentives

Companies wishing to set up establishments in regional development areas can apply for grants from the Swedish Agency for Economic and Regional Growth to partly finance investments or labour costs. The investment must be growth-oriented and contribute to sustainable development for the company and region. Each application is individually assessed, and job creation, economic growth and importance to regional development are taken into consideration.

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## Regional transportation grant

A regional transportation grant distributed by the Swedish Agency for Economic and Regional Growth provides compensation for the logistics cost disadvantages in conducting operations in northern Sweden. It is intended for manufacturing industry and goods that have undergone significant processing in the region and travelled distances exceeding 401 kilometres. The grant is available for both inbound and outbound traffic with a share that varies from 5–45 per cent of transportation costs and a maximum yearly grant of approximately NZD 2.3 million.

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## Electricity and energy

There is a good supply of electricity in northern Sweden, which investing companies consider to be competitive. The initial challenge was ensuring grid and transfer capacity to ensure the right amount of electricity is available in the right place. This issue was identified in connection with the establishment of [HYBRIT](#) but was accentuated when another steel plant in Boden was announced. Early-stage investments made by state-owned energy company Skellefteå Kraft was one of the prerequisites for the establishment of Northvolt in Skellefteå in 2017.

In 2022 [Svenska Kraftnät](#) presented a package called Norrlandskusten (Norrlands coast) which included investment for a total of NZD 1.63 billion to expand the grid in northern Norrland and along the coast in order to shorten the time taken to provide the electricity supply needed by the new industries in the north. The expansion is scheduled to be completed in 2028.

In the 2024 strategy, the government stresses the importance of energy supply. Sweden needs to be able to meet electricity demand of at least 300 TWh in 2045, not least as a result of the large company establishments and expansions taking place in northern Sweden. The strategy outlines that expansion of the grid should be facilitated through more efficient and predictable permit processes, and that new and expanding industry need an efficient process for connection to the power grid, sufficient power at connection, and for allocation of connection capacity.

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## Transport infrastructure

The strategy highlights the need to strengthen the road network and railway infrastructure. Good capacity, availability, and reduced vulnerability in transport infrastructure are crucial for the industry's climate transition and long-term competitiveness, and are fundamental to promoting Swedish exports.

Currently, the national plan for transport infrastructure for the period 2022–2033 is being implemented, which contains efforts to remedy transport deficiencies, including railway and road development and harbour deepening. To capture rapid changes in transport needs for long-term infrastructural planning, the government has tasked the Swedish Transport Administration with analysing needs in northern Sweden and submitting proposals for measures to meet them.

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## What does this mean for New Zealand?

There are parallels between Sweden and New Zealand in our respective efforts to innovate to achieve a climate transition, and to provide resilient infrastructure and clean energy to support development. The essential elements of Sweden's approach in the north have been an overarching strategy, a long-term financial commitment, and the provision of a range of tools to support the plan. There is also a link to harnessing climate innovation (including future use of hydrogen) to increase exports and support sustainable economic growth.

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