Excerpt from the Budget Bill for 2026, expenditure area 21 'Energy'

Concerning financing of new nuclear power

2.9.13 1:13 'Subsidy of expected costs for loans for new nuclear reactors'

Table 2.40 Appropriations over time 1:13 'Subsidy of expected costs for loans for new nuclear reactors'

SEK thousands

2024	Outcome		Appropriation savings
2025	Appropriation	0[1]	Expenditure forecast
2026	**Proposal**	**50 000**	
2027	Estimated	50 000	
2028	Estimated	150 000	

[1] Including decisions on amendments to the central government budget for 2025 and proposed amendments in connection with this Budget Bill.

Purpose

The appropriation may be used for expenditures for subsidising central government's expected costs for loans to companies in accordance with the Act on state aid for investments in new nuclear power (2025:587).

Grounds for the Government's proposals

Table 2.41 Amendments to the appropriations in 2026–2028 for 1:13 'Subsidy of expected costs for loans for new nuclear reactors'

SEK thousands

	2026	2027	2028
Allocated for 2025[1]			
Adopted, proposed and announced measures	50 000	50 000	150 000
of which pertains to Budget Bill for 2026	*50 000*	*50 000*	*150 000*
– Subsidy of expected costs for loans for new nuclear reactors	*50 000*	*50 000*	*150 000*
Transfer to/from other appropriations			
Other			
Proposal/estimated appropriation	**50 000**	**50 000**	**150 000**

[1] Central government budget in accordance with the Riksdag's decision of December 2024 (Committee Report 2024/25:FiU10). The amount therefore does not include decisions on amendments to the central government budget.

In accordance with Section 2 of the Act on state aid for investments in new nuclear power, state aid may be provided in the form of government loans. In order to reduce capital costs, particularly during the investment phase, costs for central government loans may be subsidised in comparison with central government's expected costs (Bill 2024/25:150, p. 21–27). The overall terms and conditions concerning issues such as interest rates and the strike price of contracts for difference are defined such that a project company's shareholders can expect to receive investment income in proportion to the financial risk they encounter in their investment. The loans are temporary, and continuous repayment is expected once the reactors have been commissioned. Contracts for difference help improve a borrower's ability to repay the loan. When a borrower does not pay interest equivalent to central government's expected costs for a loan, the Government is obliged, in accordance with Chapter 6, Section 4 of the Budget Act (2011:203), to propose how the difference should be financed. Funds equivalent to estimated costs for expected losses must be deposited in an account at the Swedish National Debt Office ('reserve credit'), which will be drawn upon as necessary to finance calculated losses, in accordance with Chapter 6, Section 5 of the Budget Act.

Central government is expected to enter into loan agreements in 2026 or 2027 at the latest for the initial investments in new nuclear power financed by state aid. A new appropriation should therefore be added to the central government budget to finance subsidies of central government's expected costs for the lending. Appropriations are estimated based on the assumption that expected losses will total approximately 5 per cent of the amount lent annually, which constitutes the estimated subsidy cost. The estimated annual lending amount is presented below.

Central government loans may only be granted to 'project companies', i.e. companies whose activities are exclusively or almost exclusively aimed at constructing, owning and operating the nuclear reactors to which their application for state aid pertains; see Article 7 of the Act on state aid for investments in new nuclear power. This means that the company will not have any revenue before the first reactor has been commissioned. To reduce the cash flow impact on the shareholders of the project company, interest should not be paid during the investment phase, but rather accumulate over time and be added to the principal (Bill 2024/25:150, p. 23). All costs for the loan will be financed by central government during the investment phase. Accumulation of interest costs as accrued interest during the investment phase does not constitute subsidy and therefore must not be charged to the appropriation. The extent to which the lending affects central government's borrowing costs and

appropriation 1:1 'Interest on the national debt' within expenditure area 26 'Interest on the national debt, etc.' is not possible to distinguish and account for since the appropriation depends on several different factors, such as total central government revenues and expenditures and national debt management.

The Government proposes allocating SEK 50 000 000 under appropriation 1:13 'Subsidy of expected costs for loans for new nuclear reactors' for 2026. The estimated appropriation for 2027 is SEK 50 000 000 and SEK 150 000 000 for 2028.

Credit facilityfor new nuclear power

The Government's proposal

For 2026 and 2027, the Government is authorised to approve loans from the Swedish National Debt Office in accordance with the Act on state aid for investments in new nuclear power (2025:587) for expected investment costs totalling a maximum of SEK 220 000 000 000 at the 2026 price level for 2026–2045.

Grounds for the Government's proposals

Under Article 3 of the Act on state aid for investment in new nuclear power, central government loans may be granted for construction and test operation of new nuclear reactors and for planning and other preparatory measures ahead of their construction. Under Article 5 of the same Act, state aid is subject to the terms regulated by agreement between central government and the company receiving state aid. Prior to the conclusion of such an agreement, the state aid must be approved by the European Commission in accordance with the EU rules on state aid. The Government expects to be able to conclude agreements on state aid for the initial investment projects in 2026 or 2027 at the latest, depending on factors such as when applications are submitted and how long the Commission's state aid investigations take.

The Government has assessed that state aid for investments in new nuclear reactors should cover investments equivalent to a maximum installed electrical capacity of approximately 5 000 MW (Bill 2024/25:150, p. 50). The Government expects to be able to process applications equivalent to half of the planned state aid in 2026.

The Government proposes a credit facility for expected investment costs that is deemed sufficient for investments totalling approximately half of the state aid. The scope of investments covered by the credit facility is determined by both expected investment costs per MW in various projects and the proportion of the costs to be financed by loans. Loans for investments in new nuclear power accounting for approximately half of the state aid are expected to total a maximum of approximately SEK 220 billion at the 2026 price level. As the amount concerns loans for the expected investment cost, it includes a budgeting margin to manage cost risks that normally arise with large investments. The lending is expected to begin in 2026 and conclude once the reactors have been commissioned for routine operation. Loans can be granted to one or multiple project companies. The estimated total annual lending amount in 2026–2028 is approximately SEK 1–3 billion, see table 2.4.2.

Table 2.42 Estimated lending for investments in new nuclear power, 2026 price level

SEK millions, fixed prices

	2026	2027	2028	2029–2037	Expected lending amount up to and including 2037
Estimated lending for new nuclear power	1 000	1 000	3 000	215 000	220 000

Source: Own calculations.

The annual total of the disbursements is expected to increase in the years following 2028. At the end of the investment period, the loan disbursements are expected to decrease and then conclude once the reactors have been commissioned. The calculations are based on the assumption that the reactors will be commissioned for routine operation between 2035 and 2037. The size of the loan disbursements is expected have the greatest variation in the years following 2028. The annual increases and decreases in the size of disbursements are expected to vary by a maximum total of approximately SEK 10 billion in a given year. To manage unforeseen events that prevent investments from being carried out within planned timeframes and thus necessitate lending over a longer period of time, the authorisation of the credit facility should include a time margin. Due to the long timeframe, this authorisation should be specified at the 2026 price level.

The annual loan disbursements reflect the cash flow from central government to a project company. Because a project company should not pay any interest during the investment phase, there is no cash flow in the opposite direction. Instead, interest accumulates and is accrued on the principal, which means that central government has a claim against the company equivalent to the principal plus the agreed interest. Central government's claim will therefore be higher than the total amount of the loan disbursements. Interest rate effects are difficult to calculate and depend on the loan conditions negotiated between central government and the project companies. For this reason, the Government finds that the credit facility should be calculated so that it provides a limit for the cash lending that does not include central government's claim to expected accrued interest. The Government intends to report both the lending amount and the central government claims each year in the Budget Bill.

The Government proposes a credit facility for expected investment costs for new nuclear power totalling a maximum of SEK 220 000 000 000 at the 2026 price level for 2026–2045. The proposed credit facility is not a forecast of the cost of building new nuclear reactors, but rather a maximum amount for expected lending for investments in new nuclear power that the Government can approve in 2026 and 2027. With lower investment costs per MW and a lower share of loans in projects, the credit facility is sufficient for more or larger projects.

Table 2.43 Credit facility for central government lending

SEK thousands

Expenditure area	Purpose	Approved credit facility 2024[1]	Loan claims 31 December 2024	Approved credit facility 2025[1]	Requested credit facility 2026
21	Credit facility for new nuclear power				220 000 000
	Total				**220 000 000**

[1] Frameworks for 2024 and 2025 are reported excluding bills amending the central government budget.

Risk reserve for new nuclear power

The Government's proposal

For 2026 and 2027, the Government is authorised to decide on a risk reserve for additional loans from the Swedish National Debt Office in case of unexpected cost increases for companies that are granted loans in accordance with the Act on state aid for investments in new nuclear power (2025:587) that total a maximum of SEK 220 000 000 000 at the 2026 price level for 2026–2045.

Grounds for the Government's proposals

The state aid should be framed in a way that incentivises efficient use of resources in the construction, ownership and operation of new nuclear reactors in accordance with Section 2 of the Act on state aid for investments in new nuclear power. With a risk- and profit-sharing mechanism that mitigates the risk for the worst outcomes while the project owner continues to bear the risk for other negative outcomes, the project owner's incentive for cost-effectiveness is maintained. The proportion of equity capital must also be sufficiently large to give the project owner incentive to limit risk-taking in the project. At the same time, it is necessary to be able to quickly manage possible but less likely scenarios entailing large and unexpected cost increases. Government financing and risk-sharing aim to ensure the necessary conditions to conclude a project even when such scenarios arise. This also creates predictability that mitigates financial risks for those who invest in the project. For this reason, a possibility of additional lending in the form of a risk reserve is needed.

The objective is to refrain from drawing on the risk reserve, but it is deemed a necessary component of the state aid. The risk reserve should be equivalent to lending for unexpected cost increases of up to 100 per cent of the expected investment cost. In the past, a number of nuclear power projects in other countries have had more significant cost overruns, where a contributing factor has been overly optimistic input values for project calculations. However, project planning, regulatory changes and political decisions during the course of those projects have also had an impact. Such experiences should be taken into consideration for future projects, thereby reducing both the likelihood of needing to draw upon the risk reserve and the need for a larger buffer.

By dividing the total credit facility into a credit facility for expected investment costs for the project and a credit facility in the form of a risk reserve for unexpected cost increases for the project, possibilities of oversubscribing the credit facility based on overly optimistic assumptions are limited. The credit facility that constitutes the risk reserve should cover the same time period as the credit facility for expected investment costs and be specified in fixed prices.

The Government proposes a risk reserve for additional loans in case of unexpected cost increases for companies that have been granted loans for investments in new nuclear power, totalling a maximum of SEK 220 000 000 000 at the 2026 price level for 2026–2045.

The expected effect of lending for new nuclear power on public finances is outlined under 'Proposals for the central government budget, budget statement, etc.', section 9.3.

Table 2.44 Credit facility for central government lending

SEK thousands

Expenditure area	Purpose	Approved credit facility 2024[1]	Loan claims 31 December 2024	Approved credit facility 2025[1]	Requested credit facility 2026
21	Credit facility for risk reserve for new nuclear power				220 000 000
	Total				**220 000 000**

[1] Frameworks for 2024 and 2025 are reported excluding bills amending the central government budget.

2.9.14 1:14 'Compensation for two-way contracts for difference for new nuclear reactors'

Table 2.45 Appropriations over time 1:14 'Compensation for two-way contracts for difference for new nuclear reactors'

SEK thousands

2024	Outcome		Appropriation savings
2025	Appropriation	0[1]	Expenditure forecast
2026	**Proposal**	**1 000**	
2027	Estimated	1 000	
2028	Estimated	1 000	

[1] Including decisions on amendments to the central government budget for 2025 and proposed amendments in connection with this Budget Bill.

Purpose

The appropriation may be used for expenditures for two-way contracts for difference in accordance with the Act on state aid for investments in new nuclear power (2025:587).

Grounds for the Government's proposals

Table 2.46 Amendments to the appropriations in 2026–2028 for 1:14 'Compensation for two-way contracts for difference for new nuclear reactors'

SEK thousands

	2026	2027	2028
Allocated for 2025[1]			
Adopted, proposed and announced measures	1 000	1 000	1 000
of which pertains to Budget Bill for 2026	*1 000*	*1 000*	*1 000*
– Contracts for difference for new reactors	*1 000*	*1 000*	*1 000*
Transfer to/from other appropriations			
Other			
Proposal/estimated appropriation	**1 000**	**1 000**	**1 000**

[1] Central government budget in accordance with the Riksdag's decision of 2024 (Committee Report 2024/25:FiU10). The amount thus excludes decisions on amendments to the central government budget.

Under Section 2 of the Act on state aid for investments in new nuclear power, state aid may be granted in the form of two-way contracts for difference. Agreements on contracts for difference are concluded at the same time as loan agreements. Contracts for difference ensure a minimum level of compensation protection for the company during routine operation of new nuclear reactors and at the same time establish a cap that prevents overcompensation and transfers excess profit to central government. The first reactor financed with state aid is assumed to be commissioned in 2035.

Expenditures will vary from year to year depending on differences between the agreed strike price and the annual average price for electricity in the bidding zone in which the reactor produces electricity. Some years, contracts for difference may entail expenditures for central government and in other years revenues, depending on whether the electricity price exceeds or is less than the strike price. The expenditures or revenues resulting from two-way contracts for difference depend on future electricity prices, but also on how the contracts are framed. Existing scenarios projected by government agencies etc. can serve as a basis for assumptions on future electricity prices.

Contracts for difference will be framed through negotiations with project companies that apply for state aid. To attract investments in new nuclear power, state aid is needed. It is therefore reasonable to assume that the strike price will, on average, exceed the electricity price over the life of the contract and thus entail a cost to central government. In addition to the development of electricity prices, the installed capacity of commissioned nuclear reactors that are covered by the contract for difference also affects the estimated expenditures. It is assumed that the contracts will have a maximum term of 40 years per reactor. The Government estimates that annual expenditures starting in 2035 will vary from approximately SEK 1 billion to SEK 3 billion, depending primarily on the expectation that reactors will be commissioned gradually over time, in step with continued expansion. The actual compensation may vary to a greater extent from year to year depending on electricity prices over the course of a year. Contracts for difference can entail higher central government expenditures for some years and revenues for others.

In order for central government to be able to enter into agreements on two-way contracts for difference in 2026 or 2027 at the latest, a new appropriation should be added to the central government budget for the financing of central government compensation for contracts for difference. The estimated expenditures are calculated starting in 2035, and the budgeting of those expenditures requires an appropriation. For 2026–2034, a formal amount of SEK 1 000 000 should be budgeted. The estimated total economic undertaking for contracts for difference is presented below.

The Government proposes allocating SEK 1 000 000 under appropriation 1:14 'Compensation for two-way contracts for difference for new nuclear reactors' for 2026. The estimated appropriation is SEK 1 000 000 for 2027 and SEK 1 000 000 for 2028.

Authorisation for financial commitments

The Government's proposal

For appropriation 1:14 'Compensation for two-way contracts for difference for new nuclear reactors' and for 2026 and 2027, the Government is authorised to undertake economic commitments in accordance with the Act on state aid for investments in new nuclear power in the form of two-way contracts for difference. This entails a need for future appropriations totalling a maximum of SEK 400 000 000 000 at the 2026 price level for 2035–2085.

Grounds for the Government's proposals

Under Section 4 of the Act on state aid for investments in new nuclear power, two-way contracts for difference are concluded for routine operation of new nuclear reactors. Under Section 5 of the same Act, the state aid will be subject to conditions that are regulated by agreement between central government and the company

receiving state aid. Prior to the conclusion of such an agreement, the state aid must be approved by the European Commission in accordance with the EU rules on state aid. The Government expects to be able to conclude agreements on contracts for difference for the initial investment projects in 2026 or 2027 at the latest, depending on factors such as when applications are submitted and how long the Commission's state aid investigations take. Like loans, contracts for difference are financial commitments that require special authorisation from the Riksdag in accordance with Chapter 9, Article 8 of the Instrument of Government.

This central government lending will conclude once the reactors have been commissioned for routine operation, at which time the contracts for difference will begin to apply instead. Contracts for difference ensure a minimum level of compensation protection for a company during routine operation of new nuclear reactors and at the same time establish a cap that prevents overcompensation and transfers excess profit to central government. This minimum level of compensation protection also entails protection for central government as lender, as it provides conditions that enable repayment of the government loan even if electricity prices are lower than expected. As a result, the potential expenditures for the contracts for difference contributes to the loans not becoming central government expenditure, but rather loans that will be repaid.

Central government expenditures for contracts for difference arise if the agreed strike price exceeds the annual average electricity price in the bidding zone where the electricity is produced. The expenditures arising over time as a result of the contracts for difference will thus depend on the development of electricity prices in Sweden over several decades, starting in 2035. Moreover, expenditures and revenues arising as a result of contracts for difference are determined by the conditions of the contracts and the overall installed capacity of the reactors concerned. The Government considers it likely that electricity prices will increase as a result of the transition to fossil-free power, as demand for fossil-free electricity will increase substantially.

If the average electricity price is higher than the strike price, the nuclear power producer will compensate central government. Under Article 19d of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, central government revenues resulting from contracts for difference must be used to finance expenditures for direct price support schemes for electricity production, be invested in measures that reduce final customer costs or otherwise be distributed to final customers. In this way, contracts for difference represent some protection for electricity consumers against high electricity prices. If electricity prices are lower than expected, central government expenditures resulting from contracts for difference will be higher, but at the same time low electricity prices will benefit Swedish electricity consumers. Similarly to the estimated amounts for lending, the estimated expenditures for contracts for difference are based on the assumptions that state aid will be provided for investments equivalent to half of the state aid programme and that the first reactor will be commissioned for routine operation in 2035. It is assumed that the contracts will have a maximum term of 40 years per reactor.

The Government estimates that the annual average expenditure starting in 2035 will vary from SEK 1 billion to SEK 3 billion, depending primarily on the expectation that reactors are gradually commissioned over time, in step with continued expansion. The actual compensation may vary to a greater extent from year to year depending on electricity prices over the course of a year. Contracts for difference can entail higher central government expenditures for some years and higher revenues for others. As these contracts concern potential disbursements over several decades, the annual

expenditures need to be totalled so as to be seen in relation to an authorisation to enter into these commitments. The cumulative total of estimated annual expenditures over the term of the contracts is SEK 110 billion.

In addition to the estimated expenditures, a margin should be provided in case expenditures are higher, so that the agreement can be kept within the scope of the Riksdag's authorisation. Due to the long timeframe, it has been deemed necessary to specify the strike price according to the agreement at a fixed price level. The authorisation should therefore be specified at the 2026 price level. The Government proposes an authorisation to undertake financial commitments in the form of two-way contracts for difference for investments in new nuclear power totalling a maximum of SEK 400 000 000 000 at the 2026 price level for 2035–2085.

The Government's view is that a starting point should be that central government expenditures for contracts for difference should be allocated based on the benefits they entail. The Government intends to follow up with proposals on financing before the expenditures arise, which will take place in connection with the reactors being commissioned for routine operation.