

Swiss ETS

General Information

<p>Summary</p>	<p>Status: ETS in force</p> <p>Jurisdictions: Switzerland</p> <p>The Switzerland (Swiss) ETS started in 2008 with a five-year voluntary phase as an alternative option to the CO₂ levy on fossil fuels. Revised regulations entered into force in January 2013. The system subsequently became mandatory for large, energy-intensive entities, while medium-sized entities may join voluntarily. The Swiss ETS linked with the EU ETS on 1 January 2020 and expanded sector coverage to Swiss domestic aviation (including flights to the EEA) and fossil-thermal power plants. The ETS furthermore applies to industrial entities, largely comprising of companies from the cement, chemicals, pharmaceuticals, paper, refinery, and steel sectors. It covered about 10% of the country's total GHG emissions in 2019. In the 2013-2020 mandatory phase, participants in the ETS are exempt from the CO₂ levy.</p>												
<p>Year in Review</p>	<p>Capping a 10-year process of negotiations and regulatory alignment, the linking agreement between the Swiss and EU ETSs took effect on 1 January 2020. Ratification of the agreement by the EU and Switzerland was announced on 12 December 2019 and followed revisions to the 'Swiss CO₂ Act' and the 'CO₂ Ordinance' that were required for the Swiss ETS to be adapted to the EU ETS legislative framework.</p> <p>In March 2019 Swiss Parliament approved legal changes to the 'CO₂ Act,' the core framework of Swiss climate legislation. In November 2019, the Federal Council made the necessary amendments to the 'CO₂ Ordinance'—which specifies regulations and implementation—expanding ETS coverage to civil aviation and fossil-thermal power plants. With the linking agreement having taken effect, covered entities in the Swiss ETS will be able to use allowances from the EU ETS for compliance, and vice versa. The two systems will run separate auctions.</p>												
<p>Overall GHG emissions (excluding LULUCF)</p>	<p>Emissions: 47.2 MtCO₂e (2017)</p>												
<p>Overall GHG emissions by sector</p>	<table border="1"> <thead> <tr> <th>Sector Name</th> <th>MtCO₂e</th> </tr> </thead> <tbody> <tr> <td>Energy</td> <td>21.6</td> </tr> <tr> <td>Transport</td> <td>14.9</td> </tr> <tr> <td>Industrial processes</td> <td>3.9</td> </tr> <tr> <td>Agriculture</td> <td>6.1</td> </tr> <tr> <td>Others (incl. waste and other)</td> <td>0.7</td> </tr> </tbody> </table>	Sector Name	MtCO ₂ e	Energy	21.6	Transport	14.9	Industrial processes	3.9	Agriculture	6.1	Others (incl. waste and other)	0.7
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<p>Overall GHG reduction target</p>	<p>BY 2020: At least 20% reduction from 1990 GHG levels (unconditional, domestic target) By 2025: 35% reduction from 1990 GHG levels (NDC) BY 2030: 50% reduction from 1990 GHG levels (NDC) BY 2050: Net-zero GHG emissions (aspirational)</p>												

Carbon Price	<i>Current Allowance Price (per t/CO₂e):</i> CHF 12.65/tCO ₂ e (USD 12.78) (average auction price in 2019; updated prices available here)
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ETS Size

Emissions covered by the ETS	0.10
GHG covered	CO ₂ , NO ₂ , CH ₄ , HFCs, NF ₃ , SF ₆ , and theoretically PFCs. (In principle, all these gases are covered in accordance with the 'CO ₂ Ordinance.' In practice, monitoring is required only for CO ₂ , NO ₂ , and PFCs, since their share is negligible.)
Sectors covered and thresholds	<p>MANDATORY PARTICIPATION: Industries listed under Annex 6 of the revised 'CO₂ Ordinance' must participate in the Swiss ETS. These include 25 categories, including companies from the cement, chemicals and pharmaceuticals, refineries, paper, district heating, steel, and other sectors. Since 2020, the ETS covers aviation (domestic and outbound flights to the EEA) and fossil-thermal power plants.</p> <p>INCLUSION THRESHOLDS: Facilities pertaining to the sectors included in Annex 6 that have a total rated thermal input of >20MW. For aircraft operators, the same thresholds apply as in the EU ETS (see below).</p> <p>POSSIBLE VOLUNTARY OPT-IN: Industries—listed under Annex 7 of the revised 'CO₂ Ordinance' (21 activities)—with a total rated thermal input of ≥10MW. A company that fulfils the participation conditions must submit the application no later than six months from the date of fulfilment.</p> <p>POSSIBLE OPT-OUT: Industries with a total rated thermal input of >20MW, but yearly emissions <25,000 tCO₂e/year in each of the past three years. Should their future emissions rise above the threshold during at least one year, they must start participating in the ETS the following year and cannot opt out anymore for the remainder of the compliance period. New entrants can apply for an opt-out with immediate effect if they can credibly report their emissions to be below 25,000 tCO₂e/year.</p> <p>AVIATION: Coverage of civil aviation (domestic flights within Switzerland or flights from Switzerland to member states of the EEA) is a requirement of the linking agreement between Switzerland and the EU.</p> <p>The ETS covers commercial aircraft operators emitting more than 10,000 tCO₂/year or operating more than 243 flights in a four-month period in the preceding year. Noncommercial operators are included when emitting more than 1,000 t/CO₂ per year. The thresholds do not apply if the operator has obligations under the EU ETS.</p>
Point of regulation	Downstream
Number of liable entities	53 (2019, only industrial installations) No information available yet.
Cap	<p>VOLUNTARY PHASE (2008-2012): Each participant received its own entity-specific reduction target.</p> <p>MANDATORY PHASE (2013-2020): Overall cap of 5.63 MtCO₂e (2013), to be reduced annually by a constant linear reduction factor (currently 1.74% of 2010 emissions), to 4.9 MtCO₂e in 2020.</p> <p>Aviation Sector Cap: 1.3 MtCO₂ (2020)</p>

Phases & Allocation

Trading period	VOLUNTARY PHASE: 2008 - 2012
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	MANDATORY PHASE: 2013 - 2020
Allocation	<p>VOLUNTARY PHASE (2008-2012): Free Allocation: Each participant was granted free allocation of allowances covering emissions up to their own entity-specific emissions target.</p> <p>MANDATORY PHASE (2013-2020): Free allocation: Free allocation is based on industry benchmarks using a similar methodology to the EU ETS. Free allocation for sectors not exposed to the risk of carbon leakage will be phased out gradually: in 2013, such entities received 80% free allocation whereas in 2020 the share of free allocation will be reduced to 30%.</p> <p>An overarching correction factor is applied given that the benchmarked allocation exceeds the overall emissions cap.</p> <p>Free allocation for aircraft operators is based on tonne-kilometer data for 2018 reported by individual aircraft operators, multiplied by the benchmark of 0.642 emissions allowances per 1,000 tonne-kilometers (same benchmark as in the EU ETS).</p> <p>Auctioning: Allowances that are not allocated for free are auctioned. Auctions take place two or three times a year, depending on available auction volumes. As of 1 January 2020, auctions are open to entities covered by the Swiss ETS and the EU ETS and noncompliance entities are allowed to place bids in the EU ETS.</p> <p>In line with EU ETS legislation, the Federal Office of the Environment has the authority to cancel the auction results if the clearing price is significantly below the prevailing secondary market price. In such a situation, allowances are transferred to subsequent auctions scheduled at the same trading platform.</p> <p>5% of the allowances are set aside in a reserve for new entrants and significantly growing operators.</p> <p>Aviation Sector: In line with EU ETS regulations, 15% of aviation sector allowances are auctioned. 3% are placed in a reserve dedicated to new and fast-growing operators. The remaining 82% is allocated according to sector-specific benchmarks in line with the EU ETS.</p>

Flexibility

Banking and borrowing	Banking within and across phases is allowed without limits. Valid certificates (CERs, ERUs) from the 2008-2012 phase could be banked into the mandatory phase and surrendered until April 2015. Certificates from the 2008-2012 phase that were not requested to be carried over within the deadline have been canceled. Borrowing is not allowed.
Offsets and credits	<p>QUALITATIVE LIMIT: Only international offsets are allowed. Exclusion criteria are listed in Annex 2 of the revised 'CO2 Ordinance.' Most categories of credits from CDM projects in least developed countries are allowed. Credits from CDM and JI projects from other countries are eligible only if registered and implemented before 31 December 2012.</p> <p>QUANTITATIVE LIMIT: Industries that already participated in the voluntary phase (2008-2012): for 2013-2020, the maximum amount of offsets allowed into the scheme equals 11% of five times the average emissions allowances allocated in the voluntary phase (2008-2012) minus offset credits used in that same time period.</p> <p>Industries entering the Swiss ETS in the mandatory phase and newly covered emission sources (2013-2020): 4.5% of their actual emissions in 2013-2020. For aircraft operators, the quantitative limit is 1.5% of their verified CO2 emissions in 2020.</p>
Market Stability Provisions	As of 1 January 2020, the Swiss legislation foresees the possibility to reduce auction volumes where there is a significant increase of allowances on the market for economic reasons. In this case, unauctioned allowances will lose their validity. The Swiss ETS will not adopt the EU ETS Market Stability Reserve (see EU ETS factsheet).

Compliance

Compliance Period	One year (1 January to 31 December). Covered entities have until April 30 of the following year to surrender allowances.
Monitoring, Reporting, Verification (MRV)	<p>Monitoring plans are required for every installation and for every aircraft operator (approved by a competent authority) no later than three months after the registration deadline.</p> <p>REPORTING FREQUENCY: Annual monitoring report, based on self-reported information (by 31 March).</p> <p>VERIFICATION: The Federal Office for the Environment may order third-party verification of the monitoring reports from installations. Aircraft operators need to have their monitoring reports verified by an accredited third-party verifier.</p>
Enforcement	The penalty for failing to surrender sufficient allowances is set at CHF 125/tCO ₂ (USD 127.82/tCO ₂). In addition to the fine, entities must surrender the missing allowances and/or international credits in the following year.

Linking

Links with other Systems	Switzerland concluded negotiations with the EU on linking the Swiss ETS to the EU ETS in 2015 and signed the concluded agreement in 2017. Following legislative approval and ratification in 2019, the link entered into force on 1 January 2020.
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Other Information

Institutions involved	Federal Office for the Environment
Evaluation / ETS review	The 'Federal Act on the Reduction of CO ₂ Emissions,' which contains the main legislation on the Swiss ETS, is in the process of being reviewed and revised for the period of 2021-2030. Implications for the design of the ETS are possible.
Revenue	<p>Since beginning of programme: CHF 34.76 million (USD 36 million)</p> <p>Collected in 2019: CHF 8.6 million (USD 8.6 million)</p> <p>Revenues from auctioning allowances are fed into the federal government budget.</p>
Implementing Legislation	<p>Federal Act on the Reduction of CO₂ Emissions (CO₂ Act)</p> <p>Partial revision of the Ordinance on the Reduction of CO₂ Emissions—Explanatory report (CO₂ Ordinance)</p> <p>Ordinance on the Reduction of CO₂ Emissions (CO₂ Ordinance)</p>

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