

## Swiss ETS

### General Information

| <p>Summary</p>                                  | <p><b>Status:</b> ETS in force</p> <p><b>Jurisdictions:</b> Switzerland</p> <p>The Switzerland (Swiss) ETS started in 2008 with a five-year voluntary phase as an alternative option to the CO<sub>2</sub> levy on fossil fuels. Revised regulations entered into force on 1 January 2013. The system subsequently became mandatory for large, energy-intensive entities, while medium-sized entities may join voluntarily. It now covers about 10% of the country's total GHG emissions. In the 2013-2020 mandatory phase, participants in the ETS are exempt from the CO<sub>2</sub> levy.</p> <p>In January 2016, Switzerland and the EU concluded negotiations on linking their ETSs. Through the bilateral agreement, the two systems will mutually recognize each other's emissions allowances. Once the link is operational, prices should converge resulting in a level playing field for Swiss- and EU-based industry. While many elements of the Swiss ETS were designed to match provisions in the EU ETS (e.g. allocation benchmarks), the linked Swiss ETS will now also cover aviation as a result of the negotiations. Switzerland has identified lower cost emission reductions, enhanced liquidity, clearer price formation and price stability as expected benefits from the link.</p> <p>The Swiss Federal Council approved the signing of the linking agreement on 16 August 2017. In November 2017, the Council of the European Union adopted a decision authorizing the signing of the linking agreement. The agreement was signed on 23 November 2017. Following approval by the Parliaments of Switzerland and the EU, and when all criteria within the agreement are met (for this, amendments to Swiss legislation are necessary), the link will become operational the following year. This could occur as of 1 January 2020.</p> <p><a href="#">Federal Office for the Environment (FOEN)</a></p> |             |                     |                          |       |           |       |                      |      |             |      |                                  |      |
|---|---|-------------|---------------------|--------------------------|-------|-----------|-------|----------------------|------|-------------|------|----------------------------------|------|
| <p>Overall GHG emissions (excluding LULUCF)</p> | <p><b>Emissions:</b> 48.14 MtCO<sub>2</sub>e (2015)</p>   |             |                     |                          |       |           |       |                      |      |             |      |                                  |      |
| <p>Overall GHG emissions by sector</p>          | <table border="1"> <thead> <tr> <th>Sector Name</th> <th>MtCO<sub>2</sub>e</th> </tr> </thead> <tbody> <tr> <td>Energy (excl. transport)</td> <td>21.78</td> </tr> <tr> <td>Transport</td> <td>15.34</td> </tr> <tr> <td>Industrial processes</td> <td>4.10</td> </tr> <tr> <td>Agriculture</td> <td>6.07</td> </tr> <tr> <td>Others (incl. waste and solvent)</td> <td>0.85</td> </tr> </tbody> </table>   | Sector Name | MtCO <sub>2</sub> e | Energy (excl. transport) | 21.78 | Transport | 15.34 | Industrial processes | 4.10 | Agriculture | 6.07 | Others (incl. waste and solvent) | 0.85 |
| Sector Name                                     | MtCO <sub>2</sub> e   |             |                     |                          |       |           |       |                      |      |             |      |                                  |      |
| Energy (excl. transport)                        | 21.78   |             |                     |                          |       |           |       |                      |      |             |      |                                  |      |
| Transport                                       | 15.34   |             |                     |                          |       |           |       |                      |      |             |      |                                  |      |
| Industrial processes                            | 4.10  |             |                     |                          |       |           |       |                      |      |             |      |                                  |      |
| Agriculture                                     | 6.07  |             |                     |                          |       |           |       |                      |      |             |      |                                  |      |
| Others (incl. waste and solvent)                | 0.85  |             |                     |                          |       |           |       |                      |      |             |      |                                  |      |
| <p>Overall GHG reduction target</p>             | <p><b>By 2020:</b> At least 20% reduction from 1990 GHG levels (unconditional, domestic target).</p> <p><b>By 2025:</b> 35% reduction from 1990 GHG levels (NDC of Switzerland).</p> <p><b>By 2030:</b> 50% reduction from 1990 GHG levels (NDC of Switzerland).</p>  |             |                     |                          |       |           |       |                      |      |             |      |                                  |      |

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| Type of ETS        | Mandatory with voluntary opt-in   |
| Cap and trajectory | <p><b>Type of Cap:</b> Absolute</p> <p><b>Voluntary phase (2008-2012):</b> Each participant received its own entity-specific reduction target.</p> <p><b>Mandatory phase (2013-2020):</b> Overall cap of 5.63 MtCO<sub>2</sub>e (2013), to be reduced annually by a constant linear reduction factor (currently 1.74%), to 4.9 MtCO<sub>2</sub>e in 2020.</p> |
| Carbon Price       | <i>Current Allowance Price (per t/CO<sub>2</sub>e):</i> CHF 7.50 (approx. USD 7.79) (clearing price at 31 October 2017 auction)   |

## ETS Size

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|--------------------------------|--|
| Emissions covered by the ETS   | 0.11   |
| GHG covered                    | CO <sub>2</sub> , NO <sub>2</sub> , CH <sub>4</sub> , HFCs, NF <sub>3</sub> , SF <sub>6</sub> and theoretically PFCs (In principle all these gases are covered in accordance with the CO <sub>2</sub> Ordinance. In practice, monitoring is only required for CO <sub>2</sub> , NO <sub>2</sub> and PFCs.)   |
| Sectors covered and thresholds | <p><b>Mandatory participation:</b> Industries listed under Annex 6 of the revised CO<sub>2</sub> Ordinance (25 sub-sectors) must participate in the Swiss ETS.</p> <p><b>Inclusion Thresholds:</b> Industries in Annex 6 generally have a total rated thermal input of &gt;20MW.</p> <p><b>Possible voluntary opt-in:</b> Industries a) listed under Annex 7 of the revised CO<sub>2</sub> Ordinance (20 sub-sectors) and b) with a total rated thermal input of &gt;10MW. One-time binding notification must be given before 1 June 2013 for industries currently above the threshold. Industries that may become eligible for participation in the future must then register within six months after they have reached the threshold.</p> <p><b>Possible opt-out:</b> Industries with a total rated thermal input of &gt;20MW, but yearly emissions &lt;25,000 tCO<sub>2</sub>e/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.</p> <p><b>Aviation:</b> coverage of aviation is a requirement of the linking agreement between Switzerland and the EU. In July 2017, to prepare for the inclusion of aviation in the Swiss ETS, Switzerland introduced the legislation for mandatory reporting of ton-kilometer data for aircraft operators that are likely to fall within the scope of the Swiss ETS, when linked with the EU ETS. Aircraft operators submitted their monitoring plans by September 2017. Mandatory reporting began 1 January 2018 and verified monitoring reports are required by 31 March 2019. On the basis of the reported ton-kilometer data, free allocation to aircraft operators and the cap for aviation activities in the Swiss ETS will be calculated.</p> |
| Number of liable entities      | 56 (2016)<br><br>In the Swiss ETS, liable entities are defined at the installation level.  |
| Point of regulation            | Downstream   |

## Phases & Allocation

|                   |  |
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| Compliance period | One year from (31 December). Covered entities have until April 30 of the following year to surrender allowances. |
| Trading period    | <b>Voluntary phase:</b> 2008 - 2012  |

|            |  |
|------------|--|
|            | <p><b>Mandatory phase:</b> 2013 - 2020</p>   |
| Allocation | <p><b>Voluntary phase (2008-2012):</b> Each participant was granted free allocation of allowances covering emissions up to their own entity-specific emissions target.</p> <p><b>Mandatory phase (2013-2020):</b> 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, 80% free allocation and in 2020 this will be reduced to 30% free allocation.</p> <p>An overarching correction factor is applied given the benchmarked allocation exceeds the overall emissions cap.</p> <p>Allowances that are not allocated for free are auctioned. Auctions take place two or three times a year, depending on available auction volumes.</p> <p>5% of the allowances are set aside in the New Entrants Reserve (NER).</p> |

## Flexibility

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| Banking and borrowing           | <p>Banking within compliance periods is allowed. Banking from one compliance period to the next is also allowed without limit.</p> <p>Valid certificates (CERs, ERUs) from the 2008-2012 commitment period could be carried over and surrendered until 30 April 2015. Valid certificates from the 2008-2012 commitment period that have not been requested to be carried over within the deadline have been canceled.</p>  |
| Offsets and credits             | <p><b>Qualitative limit:</b> Exclusion criteria are listed in Annex 2 of the revised CO2 Ordinance. Most categories of credits from CDM projects in Least Developed Countries (LDCs) are allowed. Credits from CDM and JI projects from other countries are eligible only if registered and implemented before 31 December 2012.</p> <p><b>Quantitative limit:</b> 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.</p> <p>In exceptional cases, companies may submit a request to the Federal Office of the Environment to increase this limit. They must prove that they would otherwise not be able to comply with their liability without major economic impairment and commit to acquire as many European allowances as the additional international ones. This provision is limited until 31 December 2018.</p> |
| Provisions for price management | <p>No information available yet.</p>   |

## Compliance

|   |   |
|---|---|
| Monitoring, Reporting, Verification (MRV) | <p>Monitoring plans are required for every installation (approved by a competent authority) no later than three months after the registration deadline.</p> <p><b>Reporting Frequency:</b> Annual monitoring report, based on self-reported information (by 31 March).</p> <p><b>Verification:</b> The Federal Office for the Environment may order third party verification of the monitoring reports.</p> |
|---|---|

|             |  |
|-------------|--|
| Enforcement | The penalty for failing to surrender sufficient allowances is set CHF 125 /tCO <sub>2</sub> (USD 127 / tCO <sub>2</sub> ). In addition to the fine, entities must surrender the missing allowances and/or international credits in the following year. |
|-------------|--|

## Other Information

|                            |   |
|----------------------------|---|
| Institutions involved      | The Federal Office of the Environment   |
| Linkage with other schemes | Switzerland has concluded negotiations with the European Commission on linking the Swiss ETS to the EU ETS. An agreement has been initialed in January 2016. For the agreement to enter into force, it must be signed and ratified by both sides. Both the Swiss Federal Council and the Council of the European Union approved the signing of the linking agreement in 2017. The link will become operational on 1 January the year following ratification and completion of all requirements under the linking agreement. |

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