International Carbon Action Partnership
ETS Detailed Information

Swiss ETS

General Information

Summary	**Status:** ETS in force **Jurisdictions:** Switzerland 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 in January 2020 and expanded sector coverage to Swiss domestic aviation (including flights to the European Economic Area) and fossil-thermal power plants. The ETS furthermore applies to industrial entities, largely comprising companies from the cement, chemicals, pharmaceuticals, paper, refinery, and steel sectors. It covered about 10% of the country's total GHG emissions in 2019. Participants in the ETS are exempt from the CO2 levy.
Year in Review	In January 2020, the Swiss ETS officially linked with the EU ETS, thereby sealing a ten-year process of negotiations and regulatory alignment. A provisional registry link became operational in September 2020, allowing for transfers between both registries and enabling covered entities to use European Union Allowances (EUAs) for compliance. Under the provisional link, transfers between the EU and Swiss registries were executed on eight pre-announced dates in 2020. Considered the first phase of the agreement's implementation, the provisional link is set to be replaced with a permanent registry link that will enable transfers of emission allowances between both ETS registries on a continuous basis. 2020 also marked the final year of the system's second trading period (2013-2020). The revised 'Ordinance on the Reduction of CO2 Emissions (CO2 Ordinance),' the implementing legislation of Switzerland's key climate instruments, was adopted in November 2020 to update provisions in line with Phase 4 of the EU ETS. Notable changes to the system include: a revised linear reduction factor from 1.74% to 2.2%; the implementation of updated EU ETS benchmarks by 2022 at the latest; and an indefinite extension of the system. The new legal base for the Swiss ETS has been embedded in the partially revised 'CO2 Act'—the core framework of Switzerland's climate legislation—that entered into force in January 2021. Alongside new revisions to the ETS, the Swiss Parliament adopted in September 2020 the legal framework for Swiss Climate Policy 2030, which sets out a 50% emissions reduction target and has reinforced measures for the transport, buildings, and industry sectors. The updates will be enshrined in a fully revised 'CO2 Act' that is planned to enter into force by 2022, subject to a referendum in Q3 2021.
Overall GHG emissions (excluding LULUCF)	**Emissions:** 46.4 $MtC0_2e$ (2018)
Overall GHG emissions by sector (in MtCO2)	Sector Name — MtCO2e Energy (excl. transport) (20.3) — 20.3 Transport (14.9) — 14.9 Industrial processes (4.4) — 4.4

	Sector Name / MtCO2e Agriculture (6) — 6.0 Others (incl. waste and other) (0.7) — 0.7
GHG reduction target	**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)
Carbon Price	*Current Allowance Price (per t/CO2e):* EUR 24.9/tCO2e (USD 28.45)* (average auction price in 2020; updated prices available here) * Since linking with the EU ETS in 2020, Switzerland reports allowance prices and auction revenues in euros.

ETS Size

Covered emissions	0.10
GHGs covered	CO2, N2O, CH4, HFCs, NF3, SF6, and theoretically PFCs. (In principle, all these gases are covered in accordance with the 'CO2 Ordinance.' In practice, only CO2, N2O, and PFCs require monitoring, as the share of the other gases is negligible.)
Sectors and thresholds	**MANDATORY PARTICIPATION:** Industries listed under Annex 6 of the '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. **INCLUSION THRESHOLDS:** Facilities pertaining to the sectors included in Annex 6 of the 'CO2 Ordinance' that have a total rated thermal input of >20MW. For aircraft operators, the same thresholds apply as in the EU ETS (see "Aviation" section). **POSSIBLE VOLUNTARY OPT-IN:** Industries—listed under Annex 7 of the '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. **POSSIBLE OPT-OUT:** Industries with a total rated thermal input of >20MW, but yearly emissions of <25,000 tCO2e/year in each of the past three years. If an entity's future emissions rise above the threshold in a given year, it must participate in the ETS starting the following year and cannot opt out 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. **AVIATION:** 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. Non-commercial 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.
Point of regulation	Downstream
Number of entities	51 stationary installations, 6 aircraft operators (2020)
Cap	**VOLUNTARY PHASE (2008-2012):** Each participant received its own entity-specific reduction target. **SECOND TRADING PERIOD (2013-2020):** Overall cap of 5.63 MtCO2e (2013) that was reduced annually by a constant linear reduction factor of 1.74% (of baseline emissions set by entities' historical data of the years 2008-2012) to 4.9 MtCO2e in 2020.

	Aviation Sector Cap: 1.3 $MtCO_2$ (2020) **THIRD TRADING PERIOD 2021-2030:** An annual linear reduction factor of 2.2% (2010 base year) applies to the cap for stationary installations (4.9 $MtCO_2$ in 2020). The cap for airline operators is reduced annually by 2.2% with 2020 as the base year (1.3$MtCO_2$ in 2020).

Phases & Allocation

Trading periods	**VOLUNTARY PHASE:** 2008-2012 **SECOND TRADING PERIOD:** 2013-2020 **THIRD TRADING PERIOD:** 2021-2030
Allocation	**VOLUNTARY PHASE (2008-2012):** **Free Allocation:** Each participant was granted free allocation of allowances covering emissions up to their own entity-specific emissions target. **SECOND TRADING PERIOD (2013-2020):** **Free Allocation:** Free allocation was based on industry benchmarks using a similar methodology to the EU ETS. Free allocation for sectors not exposed to the risk of carbon leakage was phased out gradually. In 2013, such entities received 80% free allocation, reduced to 30% in 2020. An overarching correction factor was applied, given that the benchmarked allocation exceeded the overall emissions cap. Free allocation for aircraft operators was 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). **Auctioning:** Allowances that were not allocated for free were auctioned. Auctions took place two or three times a year, depending on available auction volumes. As of January 2020, auctions were opened to entities covered by the Swiss ETS and the EU ETS, as well as to non-compliance entities allowed to place bids in the EU ETS. 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 of the EU ETS. In such a situation, allowances are transferred to subsequent auctions. 5% of the allowances were set aside in a reserve for new entrants and fast-growing operators. **Aviation Sector:** In line with EU ETS regulations, starting in 2020, 15% of aviation sector allowances were auctioned. 3% were placed in the reserve dedicated to new and fast-growing operators. The remaining 82% was allocated according to sector-specific benchmarks in line with the EU ETS. **THIRD TRADING PERIOD (2021-2030):** **Free Allocation:** Updated EU ETS benchmarks will apply starting in 2022 at the latest. Free allocation levels may be updated annually if production levels deviate at least 15 percentage points from the 2014-2018 base years. **Auctioning:** The same provisions apply as in the second trading period.

Flexibility

Banking and borrowing	Banking within and across phases is allowed without limits. Banked allowances from the EU ETS Phase 3 can equally be used for compliance in the 2021-2030 trading phase. Valid certificates (CERs, ERUs) from the 2008-2012 phase could be banked into the second trading period 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. Implicit borrowing is allowed within trading periods, i.e., using allocated allowances from the current trading year for surrender obligations of the prior year.
Offsets and credits	**QUALITATIVE LIMIT:** International offsets were allowed up to 2020, subject to certain criteria. Most categories of credits from CDM projects in least-developed countries were allowed. Credits from CDM and JI projects from other countries were eligible only if registered and implemented before 31 December 2012. Since 2021, offsets can no longer be used to meet compliance obligations. **QUANTITATIVE LIMIT:** During 2013-2020, the maximum amount of offsets allowed into the scheme equaled 11% of five times the average emissions allowances allocated in the voluntary phase (2008-2012) minus offset credits used in that same time period. Industries that entered the Swiss ETS in the second trading period (2013-2020) could surrender offsets to cover up to 4.5% of their emissions. For aircraft operators, the quantitative limit was set at 1.5% of verified CO_2 emissions.
Market Stability Provisions	As of January 2020, the Swiss legislation foresees the possibility of reducing 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 is not subject to the EU ETS Market Stability Reserve.

Compliance

Compliance Period	One year (1 January to 31 December). Covered entities have until 30 April of the following year to surrender allowances.
Monitoring, Reporting, Verification (MRV)	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. **REPORTING FREQUENCY:** Annual monitoring report, based on self-reported information (by 31 March). **VERIFICATION:** The Federal Office for the Environment may order third-party verification of the monitoring reports from installations and can take random samples to ensure consistency. Aircraft operators must have their monitoring reports verified by an accredited third-party verifier.
Enforcement	The penalty for failing to surrender sufficient allowances is set at CHF 125/tCO_2 (USD 133.14/tCO_2). In addition to the fine, entities must surrender the missing allowances 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. Prior to that, revisions were made to align with the EU ETS legislative framework. In March 2019, the Swiss Parliament approved legal changes to the 'CO_2 Act,' the core framework of Swiss climate legislation. In November 2019, the Federal Council made the necessary amendments to the 'CO_2 Ordinance' which specifies regulations and implementation; these amendments expanded ETS coverage to civil aviation and fossil-thermal power plants. Under the link, covered entities in the Swiss ETS can use allowances from the EU ETS for compliance, and vice versa. The two systems run separate auctions.

	Market participants from the EEA need an account at the Swiss Emissions Trading Register in order to participate.

Other Information

Institutions involved	Federal Office for the Environment (FOEN)
Evaluation / ETS review	The 'CO2 Act' (main ETS legislation) and 'CO2 Ordinance' (secondary ETS legislation) have been revised to align with the new 2030 climate policy framework and are to be implemented by 2022. Transitional revisions to both documents came into effect on 1 January 2021 in order to ensure continuity on Swiss climate policy and extend the ETS (for an unlimited period). Next steps towards the implementation of the new legislative framework by 2022 are: • Public consultation for the "full" revision of the 'CO2 Ordinance' in spring 2021; • A referendum in Q3 2021 on the "full" revision of the 'Federal Act on the Reduction of CO2 Emissions,' ('CO2 Act') (adopted by Parliament in 2020).
Revenue	Since beginning of programme: EUR 39.8 million (USD 45.3 million)* Collected in 2019: EUR 7.3 million (USD 8.3 million)* * Since linking with the EU ETS in 2020, Switzerland reports allowance prices and auction revenues in euros. Revenues from auctioning allowances are fed into the federal government budget.
Implementing Legislation	Federal Act on the Reduction of CO2 Emissions (CO2 Act) Ordinance on the Reduction of CO2 Emissions (CO2 Ordinance) CO2 Ordinance – Explanatory report

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