

CARBON MARKET BUSINESS BRIEF

SWITZERLAND

SWISS ETS AT A GLANCE

Years in operation	2008-12: Voluntary phase 2013-20: Mandatory phase 2021-30: Mandatory phase
Overall cap & trajectory	As of the time of writing in early May 2022, the 2021 cap for installations was due to be published, amid delays in the calculation of the free allocation for the new trading period. The 2021 cap for aviation is 1,072,636 tonnes. From 2021, the Linear Reduction Factor (LRF) is 2.2%.
Target(s)	There is no explicit reduction target for the Swiss ETS. The reduction in emissions is a function of the decreasing cap, which itself is dependent on the linear reduction factor. Switzerland's NDC – updated in December 2021 – aims to cut emissions by at least 50% compared to 1990 levels by 2030 and to reach net-zero by 2050.
Emissions Reduced to date	N/A
Sectors covered	<ul style="list-style-type: none"> • Power and heat generation • Industrial processes, including oil refineries, steel works and production of iron, aluminium, metals, cement, lime, glass, ceramics, pulp, paper, cardboard, acids and bulk organic chemicals • Aviation
GHGs covered	CO ₂ , N ₂ O, CH ₄ , HFCs, NF ₃ , SF ₆ and PFCs
# of covered entities	95 stationary installations. In 2020, 141 aircraft operators had obligations under the Swiss ETS. The number for 2021 is not yet known. Out of the 141 operators that had surrendering obligations under the Swiss ETS, only three were administered by Switzerland. The rest are administered by the competent authority in the EEA, according to the “one-stop-shop” approach.
Allocation method	Similar to the EU ETS, auctioning is the default allocation method, accompanied by free allocation for sectors at risk of carbon leakage. Auctions take place two or three times a year. Auction results are reported in euros following the link to the EU ETS.
Trading rules	There is a holding limit of 1 million allowances (CHUs/CHUAs and EUAs/EUAA s collectively) for trading accounts (personal holding accounts). This is the maximum amount that each account holder can keep at any one time, whether in one account or spread across multiple accounts.

Use of offsets and linking	Offsets cannot be used for compliance. The Swiss ETS linked to the EU ETS in January 2020, which means that CHUs are fully fungible with EUAs.
Other features	Banking within and across phases is allowed without limits, whereas borrowing is not allowed. Swiss legislation foresees a market stability mechanism with respect to allowances for installations. If the total number of allowances in circulation exceeds 50% of the previous year's cap, the auction volume is reduced by 50%.
Penalties for non-compliance	The penalty for failing to surrender sufficient allowances is set at CHF 125/tCO ₂ . In addition, entities must surrender the missing allowances in the following year.
Use of revenues	Revenues from auctioning allowances are fed into the federal government budget.

MAJOR DEVELOPMENTS

On 1 January 2020, the link with the EU ETS became operational and marked the first international treaty to link emissions trading markets. All emission allowances eligible for compliance in the Swiss system are eligible for compliance in the EU market, and vice versa.

In order to transfer allowances between the two systems, in September 2020 a permanent link between the Swiss and the EU registry was established. Currently, allowances are transferred between the two registries roughly every two weeks, with increased frequency around compliance deadlines.

In 2021, the number of installations covered by the Swiss ETS almost doubled. This has resulted in a delay to the calculation and issuance of the free allocation for 2021. Consequently, the 2021 compliance deadline has been postponed to 31 August 2022.

All Phase 4 changes, including to the benchmarks and the LRF of 2.2%, were implemented by May 2022.

From 2023, flights from Switzerland to the United Kingdom will be re-included in the Swiss ETS.

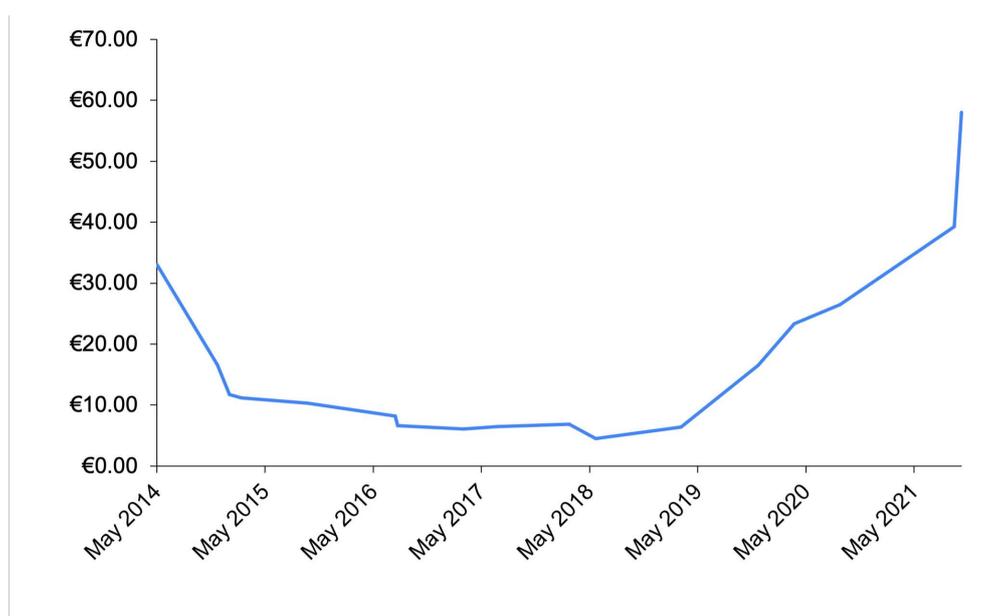


FIGURE 1
Swiss Emissions Allowance Auction Prices

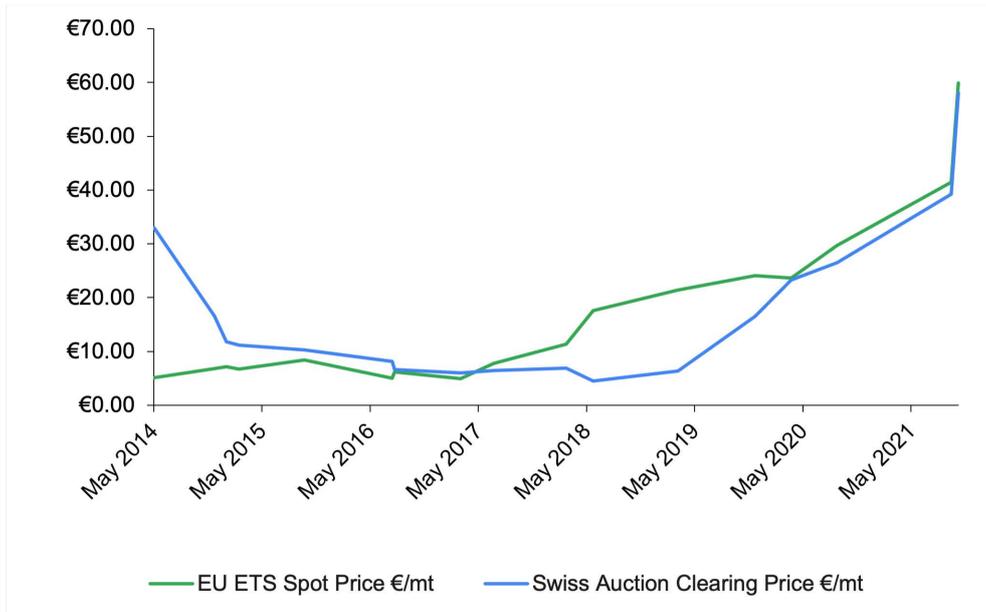


FIGURE 2
Swiss CO2 Auctions vs. EUETS Spot Price

MARKET COMMENTARY

Due to the small size of the market, there is limited secondary market trading for CHUs. Instead, the main form of price discovery comes from allowance auctions, which are held several times a year.

Results of prior auctions may be found on the BAFU website.

The EU/Swiss transfer calendar is also [online](#).

USEFUL LINKS

FOEN:

[Swiss Emissions Trading Registry](#)

[Emissions trading system for aircraft operators](#)

[Emissions trading scheme for installation operators](#)

[European Commission: FAQs on Swiss Linking](#)

[ICAP Swiss ETS](#)

[World Bank Carbon Pricing Dashboard](#)

REFERENCES

[Factsheet: Linking the Swiss and EU emissions trading schemes](#)

[Federal Act on the Reduction of CO2 Emissions \(CO2 Act\)](#)

[Ordinance on the Reduction of CO2 Emissions \(CO2 Ordinance\)](#)

[FOEN: Swiss ETS](#)

[Switzerland's enhanced first NDC](#)

AUTHORS

Julia Michalak
Senior Advisor, EU Policy, IETA
michalak@ieta.org

Alessandro Vitelli
Communications Advisor, IETA
vitelli@ieta.org

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