

# CARBON MARKET BUSINESS BRIEF

## SWITZERLAND

### SWISS ETS AT A GLANCE

Years in operation	2008-12: Voluntary phase 2013-20: Mandatory phase
Overall cap & trajectory	2020 cap for stationary installations is 4.9 million tCO <sub>2</sub> e. The cap reduces by 103,410 tCO <sub>2</sub> e each year, which is 1.74% of 2010 emissions.  The 2020 cap for aviation is 1.3 million tCO <sub>2</sub> e.
Target(s)	N/A
Emissions Reduced to date	N/A
Sectors covered	<ul style="list-style-type: none"> <li>• Combustion of fossil-fuel</li> <li>• Refining of mineral oil</li> <li>• Production of coke</li> <li>• Roasting or sintering, including palletisation, of metal ore</li> <li>• Production of pig iron or steel</li> <li>• Production or processing of ferrous metals including ferro-alloys</li> <li>• Production of primary and secondary aluminium</li> <li>• Production or processing of non-ferrous metals</li> <li>• Production of cement clinker</li> <li>• Production of lime or calcination of dolomite or magnesite</li> <li>• Manufacture of glass</li> <li>• Manufacture of ceramic products</li> <li>• Manufacture of mineral wool</li> <li>• Drying or calcination of gypsum</li> <li>• Production of pulp</li> <li>• Production of paper or cardboard</li> <li>• Production of carbon black</li> <li>• Production of nitric acid</li> <li>• Production of adipic acid</li> <li>• Production of glyoxal and glyoxylic acid</li> <li>• Production of ammonia</li> <li>• Production of bulk organic chemicals</li> <li>• Production of hydrogen and synthesis gas</li> <li>• Production of soda ash and sodium bicarbonate</li> </ul>
GHGs covered	CO <sub>2</sub> , NO <sub>2</sub> , methane, HFCs, NF <sub>3</sub> , SF <sub>6</sub> and PFCs
# of covered entities	55, plus aviation
Allocation method	Free allocation is based on industry benchmarks using a similar methodology to the EU ETS. Remaining allowances are auctioned, with auctions taking place two or three times a year.

Trading rules	There is a holding limit of 1 million allowances (CHU and EUA collectively). 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	Installations and aircraft operators can use a limited amount of international credits from the CDM and JI for compliance. Qualitative criteria apply to the types of credits that can be used.  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 the possibility of reducing auction volumes when there is a significant increase of allowances in the market. If this happens, unauctioned allowances will become invalid. The Swiss ETS will not adopt the EU ETS Market Stability Reserve.
Penalties for non-compliance	The penalty for failing to surrender sufficient allowances is set at CHF 125/tCO <sub>2</sub> . In addition, entities must surrender the missing allowances and/or international credits 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 finally went live. This was the culmination of a decade of negotiations, (which were often held up by non-carbon market issues), and marks the first international treaty to link emissions trading markets. For the link to happen, the scope of the Swiss ETS had to align with the EU and therefore had to expand to include power generation, even though Switzerland currently has no thermal generation plants, and civil aviation. The emissions from domestic flights within Switzerland and flights from Switzerland to member states of the European Economic Area will now be included. These scope changes were reflected in the CO<sub>2</sub> Ordinance and Swiss CO<sub>2</sub> Act, which then allowed the EU and Switzerland to ratify the linking agreement in early December 2019.

From 2020 onwards, installations in the Swiss ETS are able to use allowances from the EU ETS for compliance, and vice versa. Switzerland will also continue to run its own auctions which will be opened up to a wider participation. Previously, only Swiss installations could participate, but bids will now be accepted from any company authorised to participate in EUA auctions. Bidders will need to have an account in the Swiss registry.

A joint committee, comprised of representatives of both parties, has been established to administer the link. This includes tasks to ensure its proper implementation such as adopting new Annexes to the Agreement or amending existing ones.

## 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 the allowance auctions, which are held two or three times a year.

In 2019, two auctions were held:

- March: which cleared at CHF 7.15
- November: which cleared at CHF 18.15

During the year, the price increased considerably as the link to the EU ETS became more likely.

The first auction of 2020 was due to take place from 9–11 March. However, the auction was annulled because the clearing price differed significantly from the corresponding price in the secondary EUA market. At the time, prices in the

EU ETS were beginning to experience significant volatility as the COVID-19 crisis was becoming apparent.

The auction will be repeated a later date.

## USEFUL LINKS

[ICAP Swiss ETS detailed information](#)

[Carbon Pricing Dashboard](#)

[Revision of the CO2 Ordinance](#)

## REFERENCES

[Swiss Emissions Trading Registry](#)

[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](#)

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