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Federal Department of the Environment, Transport,
Energy and Communications DETEC

Federal Office for the Environment FOEN
Climate Division

The Swiss approach to carbon pricing

Swiss Re, 20 May 2021

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Agenda

- (1) Swiss greenhouse gas emissions and targets
- (2) Carbon pricing instruments
 - ❖ Levy on heating fuels
 - ❖ Cap and trade for big emitters
 - ❖ Aviation levies (new)
 - ❖ Offset obligation in transport sector
- (3) Conclusions



Greenhouse gas emissions by sector

(Data from 2019)



Transport
32 %

Buildings
24 %

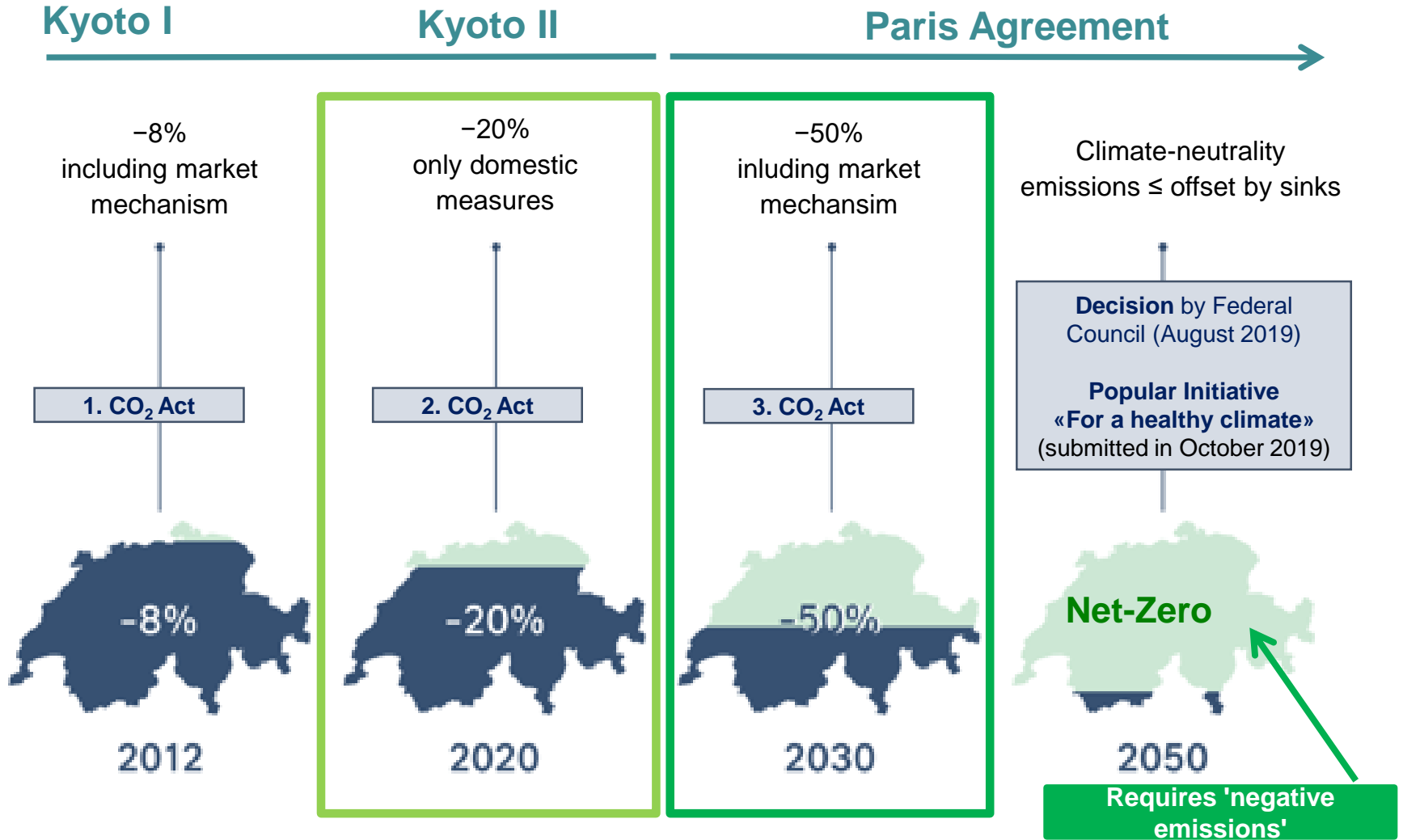
Industry
18 %

Agriculture
14 %

**Waste &
F-Gases**
12 %



Reduction targets: milestones





CO₂ levy



History

1990: First discussions, rejected in public consultation

1999: First CO₂ Act. CO₂ levy as a subsidiary instrument

2004: Target missed → start of parliamentary debate on:

- Fuel coverage?
- Levy rate?
- Adverse impacts on international competitiveness?

2008: Introduction of CO₂ levy

- Only on heating and process fuels (oil, natural gas, coal)
- Low initial rate, but increase triggered, if preset targets are missed
- Exemptions for affected industries



CO₂ levy covers 1/3 of GHG emissions



Transport

32 %



Buildings

24 %

+/- fully covered



Industry

18 %

+/- 40% covered



Agriculture

14 %

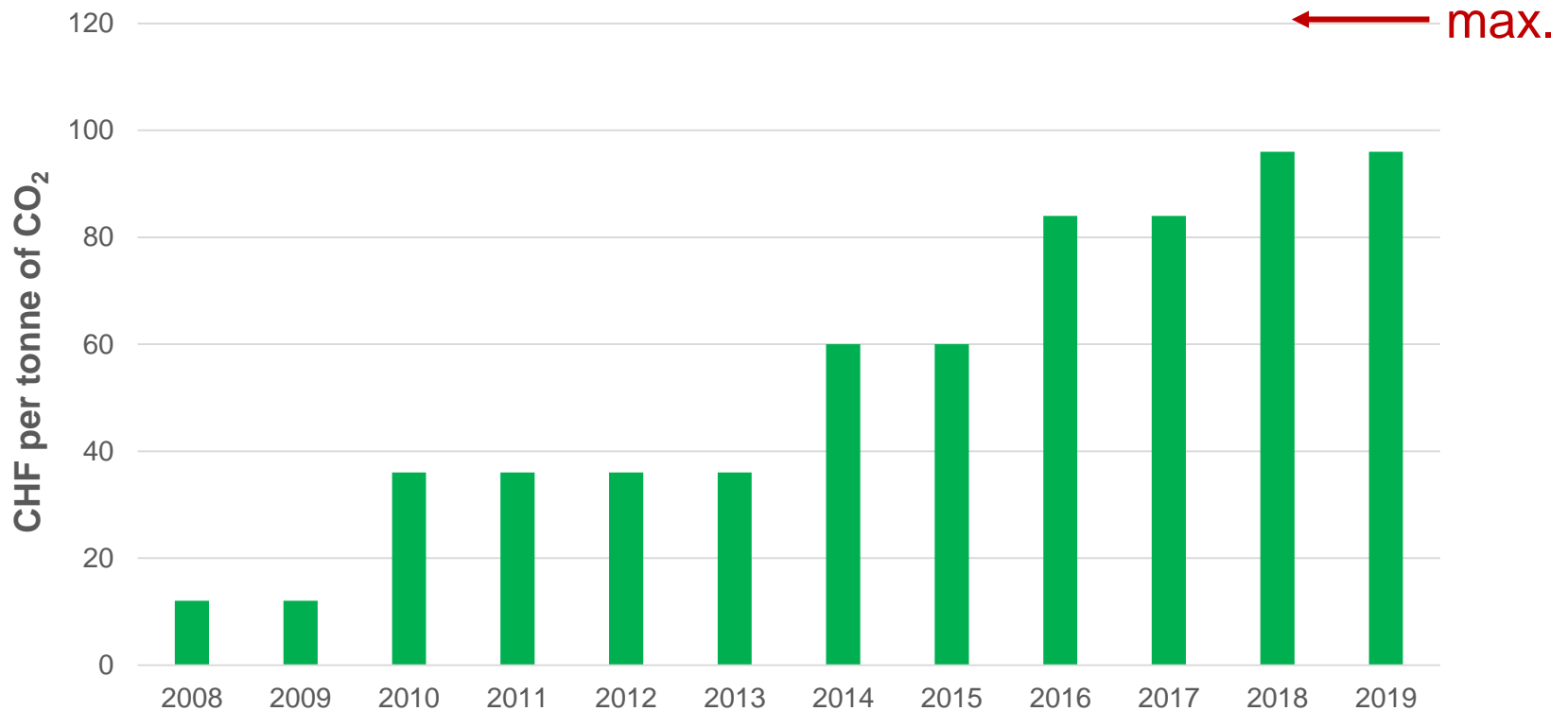


**Waste &
F-Gases**

12 %



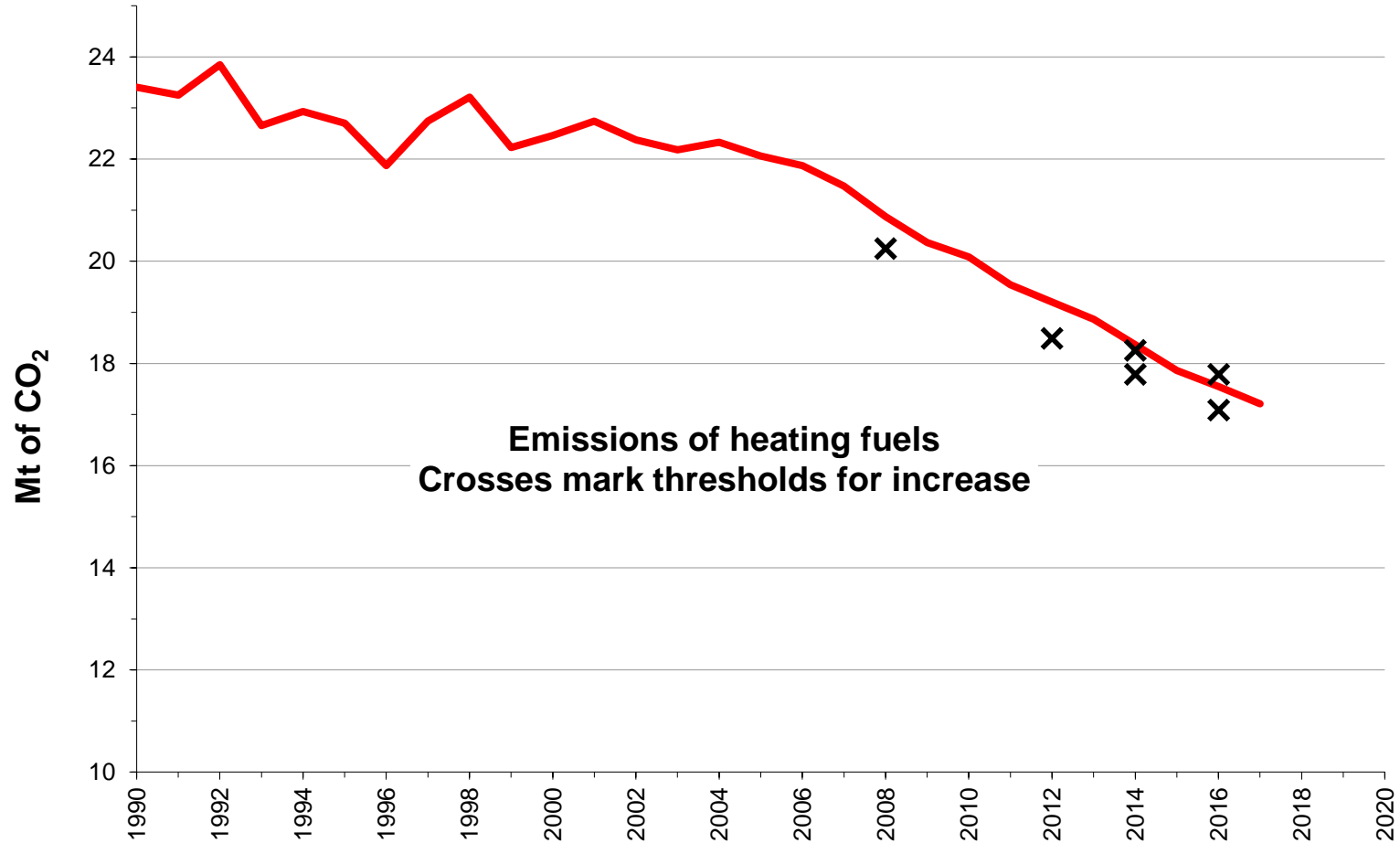
Gradual increase from 12 to 96 CHF per tonne of CO₂



96 CHF = 88 EUR per tonne of CO₂

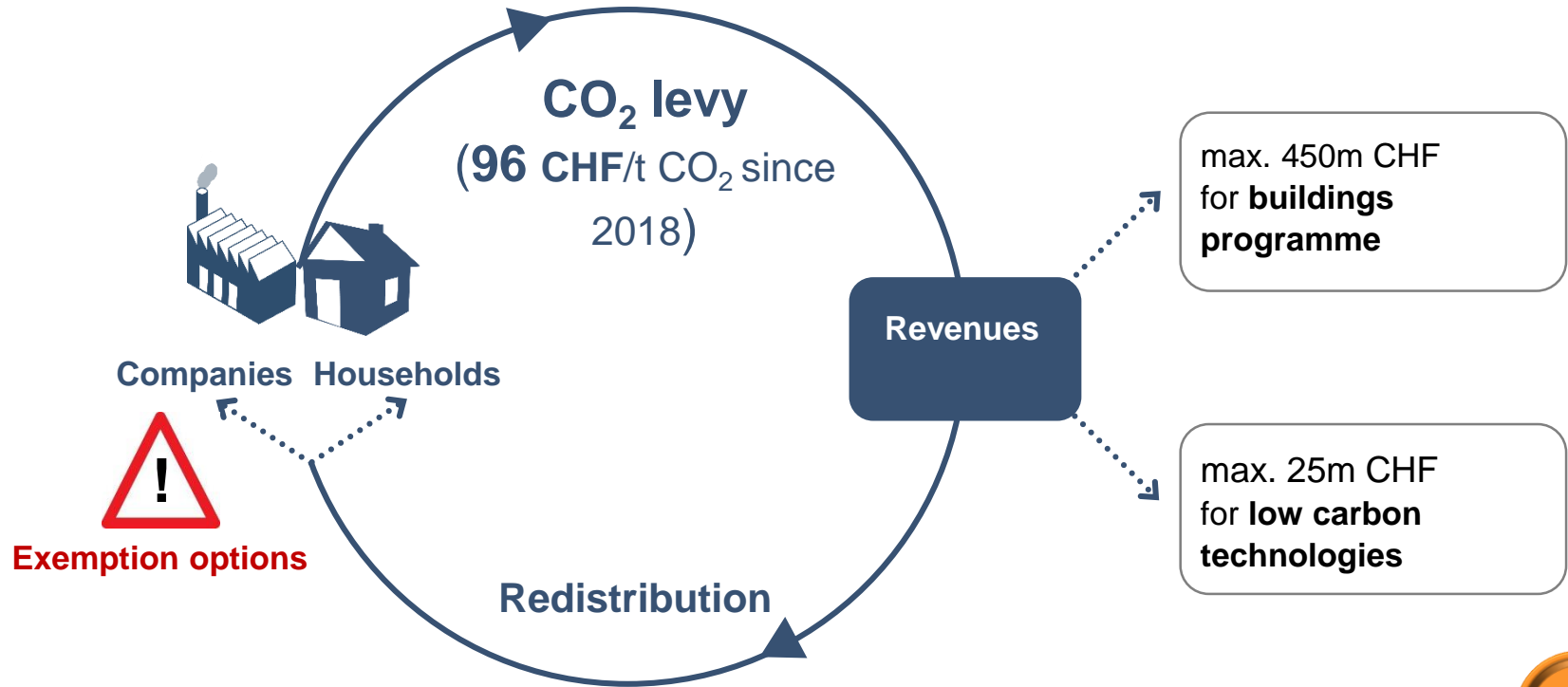


Intermediary targets trigger increase





Revenues: 2/3 redistributed, 1/3 earmarked



Maximum rate: **210 CHF/t CO₂**



Climate Fund



Industry: exemptions



Exemption for industrial sector



→ 2 equivalent instruments

1. Submitted to emissions trading scheme (ETS)

- Mandatory for certain industries in line with EU ETS
- Optional participation for medium emitters
- Around 50 companies with appr. 5 Mt CO₂eq

2. Submitted to reduction obligation (non-ETS)

- Open to affected industries
- Companies commit to reduce their emissions according to their potential
- Around 1'300 companies with appr. 1.2 Mt CO₂eq

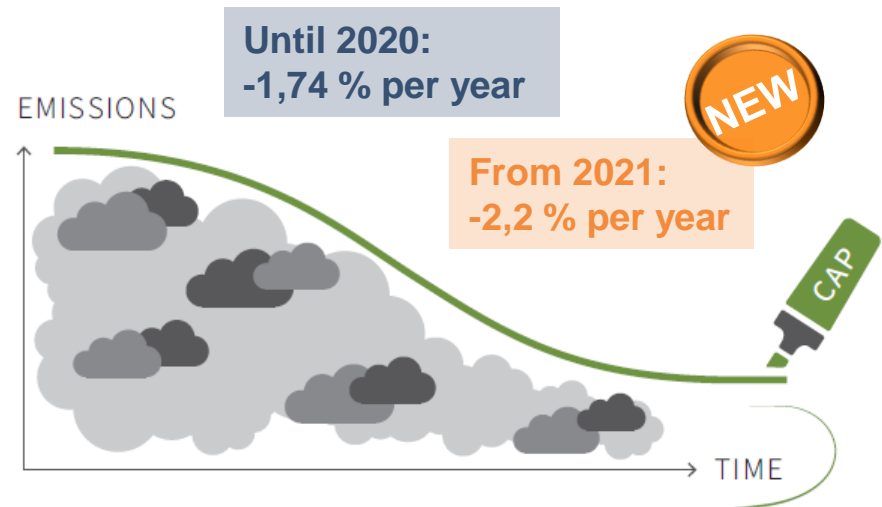
→ **No double regulation!** A company either participates in ETS, in Non-ETS or pays the CO₂ levy



Emission trading scheme (ETS)



«Cap»: total CO₂eq
«cap-and-trade»



Yearly reduction of «Cap»

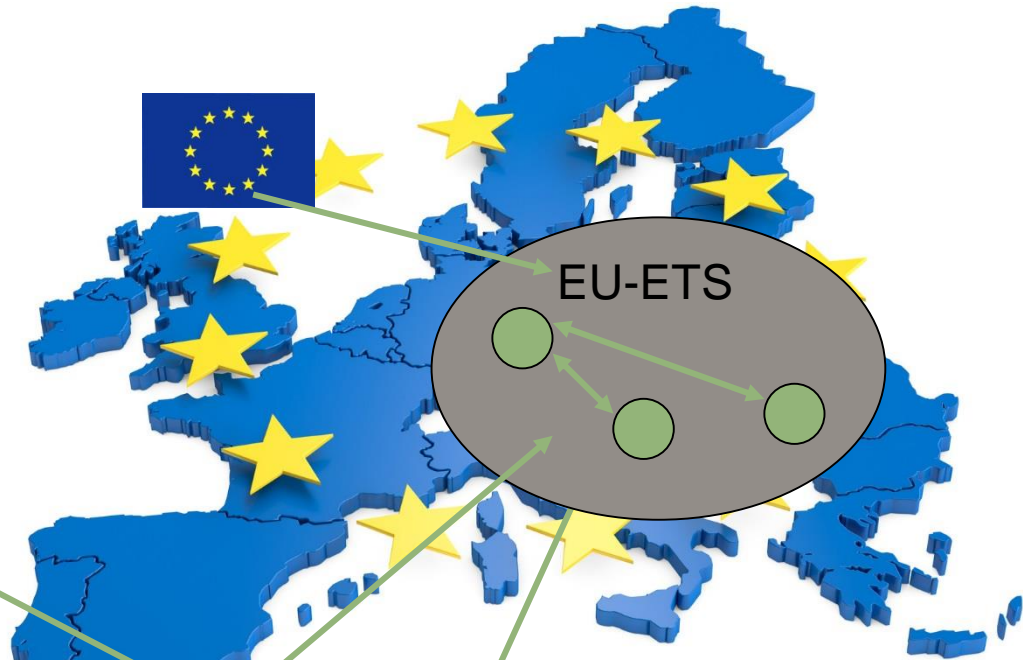
Graphs: International Carbon Action Partnership ICAP



Linking with EU since 2020



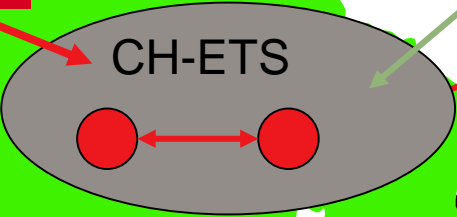
Single CO₂ market



EU-ETS



Allocation of allowances



CH-ETS



Flights to and from
EEA covered
since 1990





Aviation





Levy on airline tickets



- 30 – 120 CHF according to travel distance and class
- Transit and transfer passengers excluded
- Subject to levy: airlines, reduced levy for carriers blending sustainable fuels or renewing their fleet
- Levy must be disclosed on tickets and offers
- 51% of revenues redistributed, 49% earmarked for research & development, pilot installations especially for sustainable aviation fuels





General aviation levy (business jets)

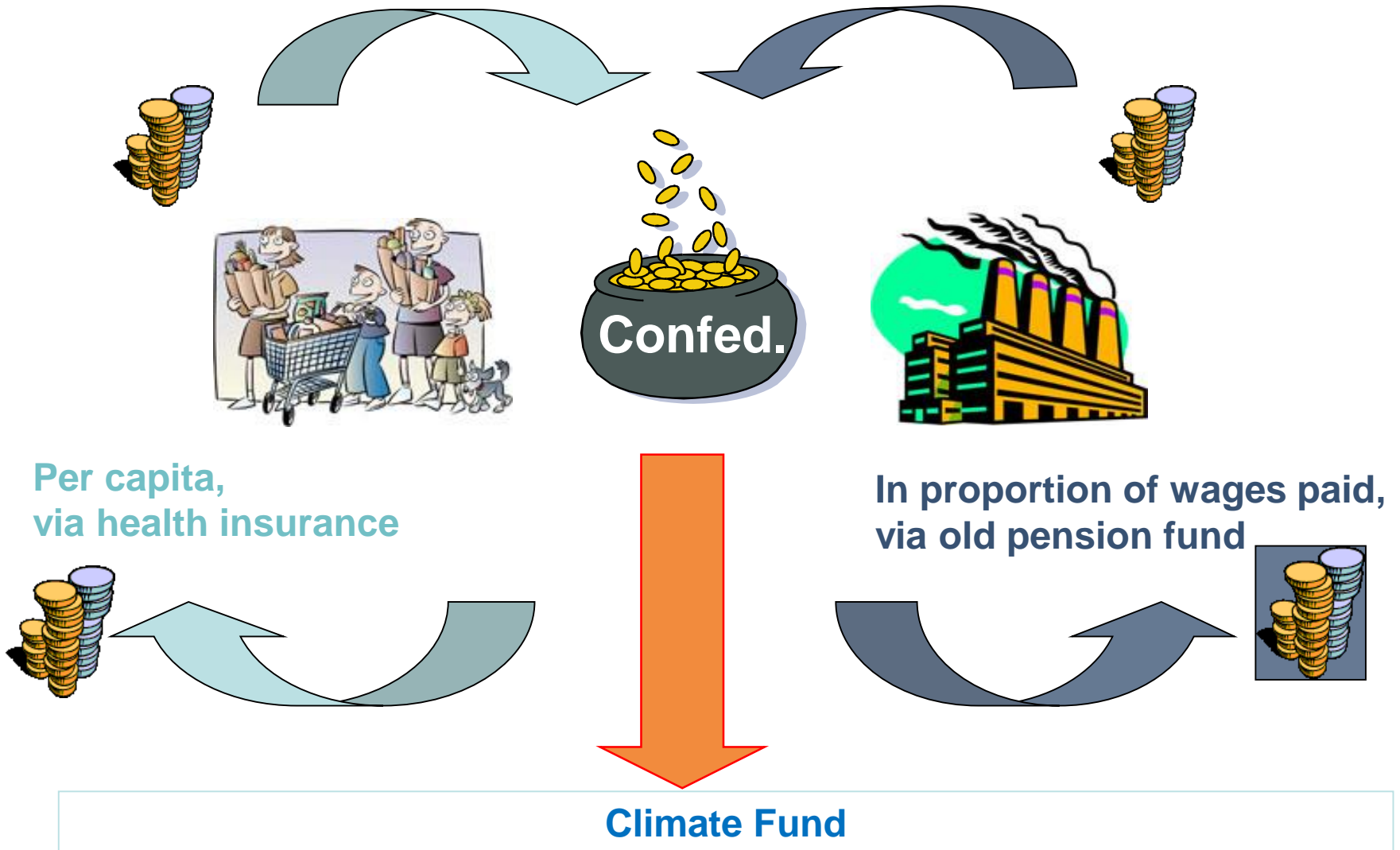


- 500 – 3'000 CHF per flight, for take-off weight > 5.7 t
- Calculation based on take-off weight, travel distance and competitiveness of the airport
- Subject to tax: aircraft owner / operator, reduced rate granted for sustainable fuels
- Easy collection upon take-off
- 51% of revenues redistributed, 49% earmarked





Mechanism of CO₂ and flight levies

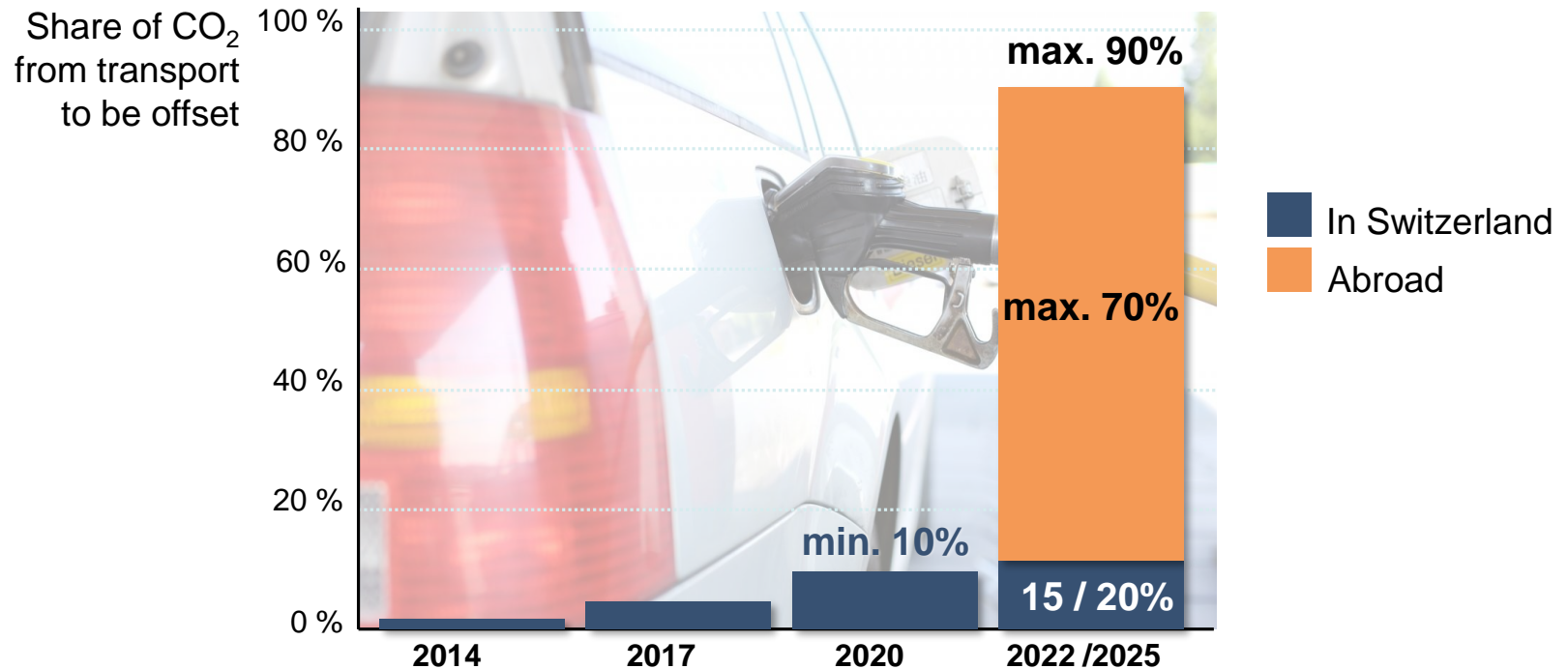




Transport



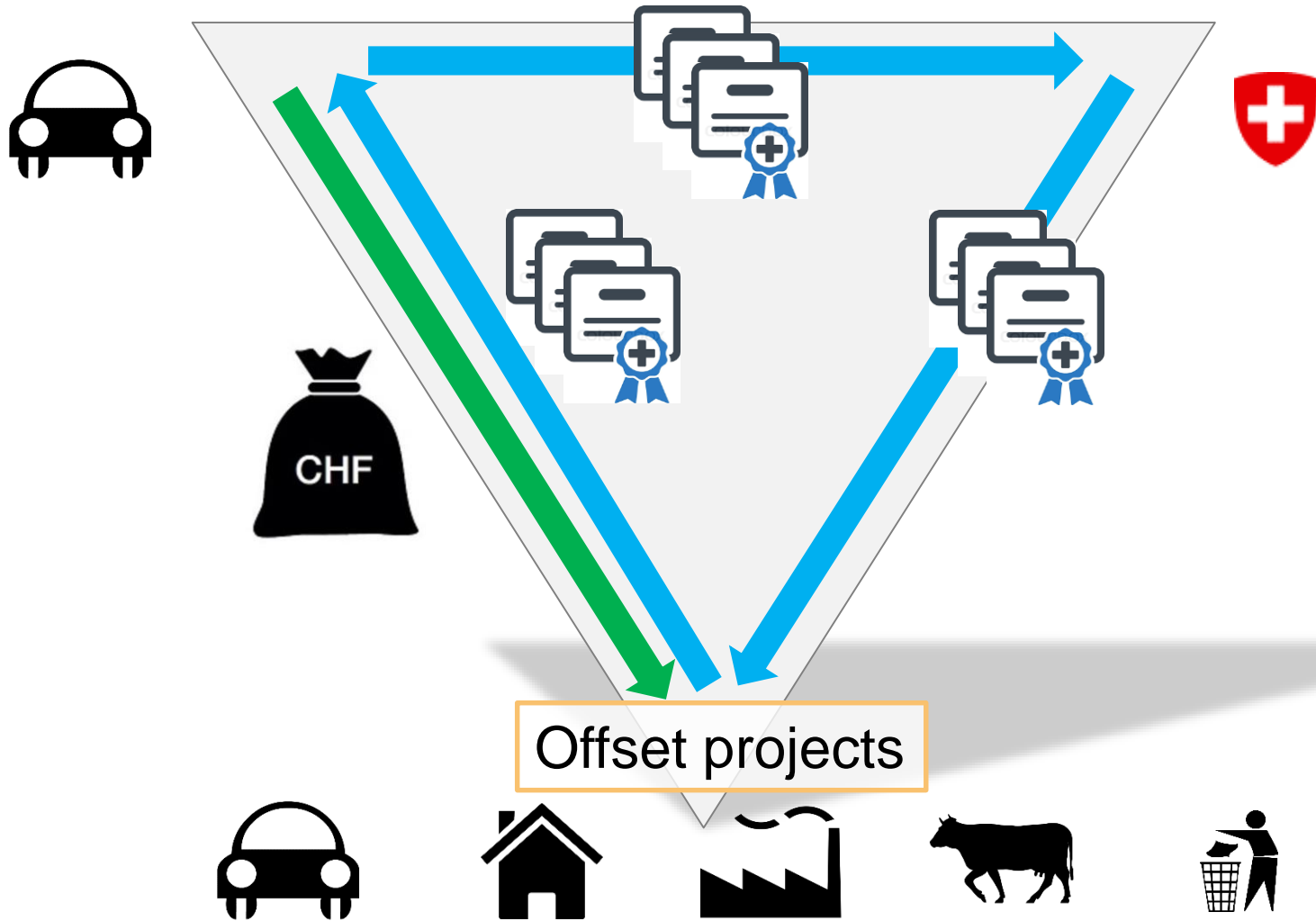
Offset obligation for importers of fossil motor fuels



→ max. surcharge on fuels: 0.12 CHF/l as of 2025 (compared to max. 0.05 CHF/l so far)



Domestic offset market





Conclusions



Key factors

1. Subsidiarity

→ CO₂ levy only to be introduced if other measures not effective enough

2. Transparent mechanism for gradual increase

→ Low initial rate to gain acceptance

→ Increase triggered without renewed political decision

→ Security of investment for targeted sectors

3. Recycling of revenues

→ Redistribution to reward low consumption and to level out social distortion

→ Reinforce effectiveness by earmarking revenues

4. Exemptions (not for free!)

→ Secures support of industry and their competitiveness

→ Incentive to use investment cycle to lower emissions



Thank you!

<http://www.bafu.admin.ch/climate>