Carbon Pricing in Switzerland: A Fusion of Taxes, Command-and-Control, and Permit Markets

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Like other European Nations, Switzerland has signed the Kyoto Protocol and the Paris Agreement. Not being part of the European Union, however, it has pursued a different approach to climate policy than the rest of Europe. The cornerstone of Swiss climate policy is carbon pricing, but this comes in three versions that involve different actors and carry different price tags. In addition, a number of support schemes are in place, e.g., for the development of renewables and insulation of buildings. In this article, however, we focus on Swiss carbon pricing. Switzerland has one of the highest carbon taxes in place worldwide. Currently, this tax is CHF 96 per ton of CO 2 -equivalent. The tax is levied on fossil fuels as they cross the Swiss border. However, there are important exemptions. Importantly, the tax applies to combustion fuels but not to transportation fuels. There are ongoing discussions in the Swiss parliament about extending carbon pricing to the transport sector, which is responsible for a third of total greenhouse gas emissions in Switzerland, and which is the only sector where emissions have remained constant (FOEN, 2020). With the aim of protecting the interests energy-intensive firms, the Swiss government has introduced two programs that allow firms to be exempt from the CO 2 tax. The first was established in 2008 and can be described as a collaborative command-and-control instrument coupled with an abatement subsidy. To join the program, firms in energy-intensive industries subject themselves to a set of specific abatement measures and emissions targets that are developed in cooperation with energy experts. If a firm's emissions are below its target in a given year, it can sell the difference as "over-abatement" for a fixed fee. This program is known as "nonEHS" and currently includes around 1,200 firms. The second exemption program is an emissions trading scheme, which was introduced in 2013 and currently includes 53 plants. The system is called CH EHS and has been designed to link it with the European Union's Emissions Trading Scheme (EU ETS). Due to lengthy political negotiations, the linking of the systems was delayed for several years, but it finally took place on January 1, 2020. In this article, we describe the three competing carbon pricing programs that co-exist in Switzerland and the limited information that is available about their effects on emissions. We furthermore provide preliminary results about the relative effectiveness of the CH EHS and nonEHS programs based on our ongoing work.
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