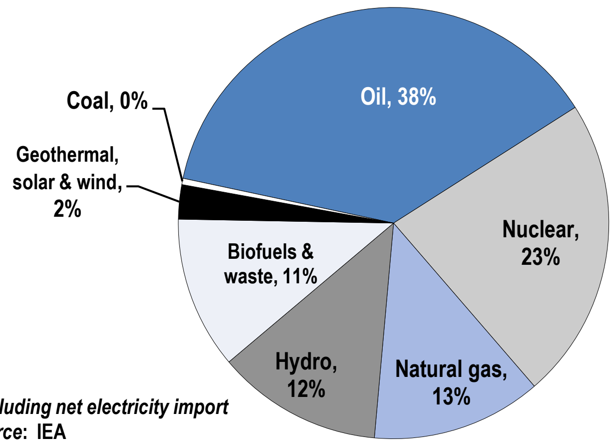
Switzerland

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries and eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa).

Energy resources and market structure

As a landlocked country producing no fossil fuels, Switzerland relies heavily on hydro-electricity and nuclear power to meet its electricity needs. Compared with its neighbouring countries, Switzerland has a relatively high share of hydro-electricity. The Government has announced that nuclear power, which accounted for nearly a quarter of the total primary energy supply (TPES) in 2017, will gradually be phased out with Swiss voters backing the proposal in a May 2017 referendum. Due to the scarcity of fossil-fuel production and the overhaul of the country's policy towards nuclear power, imports of very diverse types of energy products account for about 60% of the country's total primary energy supply.

Total Primary Energy Supply* in 2017



excluding net electricity import
Source: IEA

Oil products are by far the largest energy source in Switzerland and all its crude oil is imported. The latter is then transformed in the only remaining refinery that has an output covering around 25% of total domestic demand for petroleum products in 2018, down from around 46% in 2011. The retail market on the other hand is fully liberalised. As for natural-gas, transmission and distribution remain vertically integrated for the most part despite the law allowing for open third-party access to the high-pressure grid. Local natural-gas suppliers can connect to the grid but have to comply with fees set by the operator (Swiss Gas Industry Association). Disputes over high-pressure grid access and tariffs are subject to the remit of the SFOE, the Swiss Federal Office of Energy.

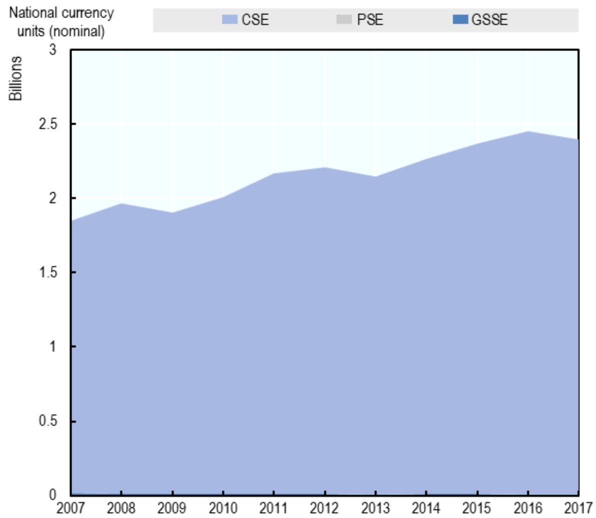
Fossil fuels contribute very little to electricity generation in Switzerland since hydro-electric and nuclear power can cover up to 97% of the country's electricity needs, depending on hydrological conditions. Competition was introduced for large customers with the 2008 Law on Electricity Supply (the *Stromversorgungsgesetz*), which unbundled the electricity market and established an independent regulator (ELCom) to oversee open and non-discriminatory access to the grid.

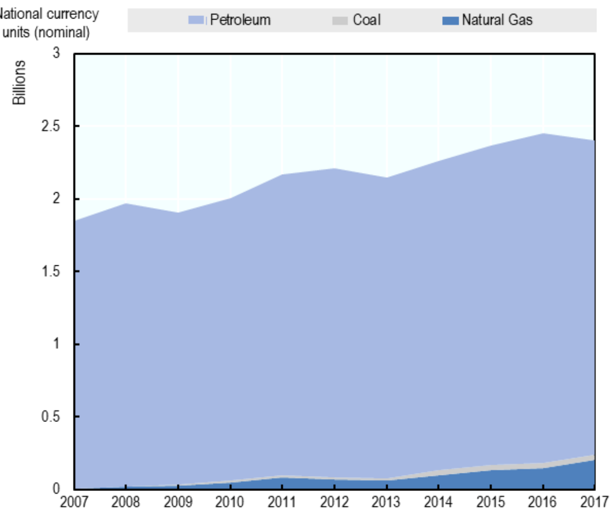
Energy prices and taxes

Prices of petroleum products in Switzerland are set by the market. Wholesale prices of natural gas do not vary much across the country, as it is sold to utilities at cost by Swissgas AG and four regional associations; but retail gas prices are subject to more variation, depending on local circumstances. For electricity, most companies and all households remain subject to regulated prices, which in the past have generally been lower than those set by the electricity exchange.

All energy sales are subject to a value-added tax at the normal rate of 7.7%. Additional taxes are levied on heating and process fuels (CO_2 tax) and on the sales of mineral oils.

Total support for fossil fuels in Switzerland by support indicator (left) and fuel type (right)





Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate.

Recent developments and trends in support

Switzerland has seen a slight increase in fossil fuel support in recent years. This increase is despite the introduction of a cap on the deduction of commuting expenses from the federal direct tax. From the tax year 2016, the deduction has been capped at CHF 3,000 at the federal level, which entails a reduction in implicit support. Consequently, estimates of revenue forgone under this measures have started to decrease starting in 2017, as the tax is normally due in arrears. Excise tax concessions as well as CO_2 tax exemptions account for most of the remaining support. The CO_2 tax was introduced in January 2008 at a price of CHF 12 per tonne of CO_2. Because interim targets have not been met, this price was raised in 2010 (CHF 36/tCO2) and 2014 (CHF 60/tCO2) and, as of 2018, it has reached a level of CHF 96. This step-wise rise in the CO_2 tax explains the gradual increase in total support, as the value of exemptions rises in proportion. To offset potential losses of competitiveness arising from the tax, certain large industrial users of energy (i.e. energy-intensive companies) have been exempted from the additional charge levied on heating and process fuels since 2008. Those companies must, however, commit to legally-binding CO_2-reduction targets or are covered by the Swiss emission trading scheme ETS. Since Switzerland produces no fossil fuels, all support measures target industrial and final consumers.

Examples of measures	
Deduction of commuting expenses from the federal direct tax	This measure provides a tax relief for travels between home and work with the federal direct tax (federal income tax). Starting with the tax year 2016, the deduction is capped at CHF 3,000 at the federal level.
Excise-Tax Refund for Farming, Forestry, and Fishing (1997-)	The use of fuel for farming, forestry, and fishing purposes attracts a refund from the excise tax that is normally levied on mineral oils consumed in Switzerland. Besides fossil fuels, biofuels are also exempted by this measure.