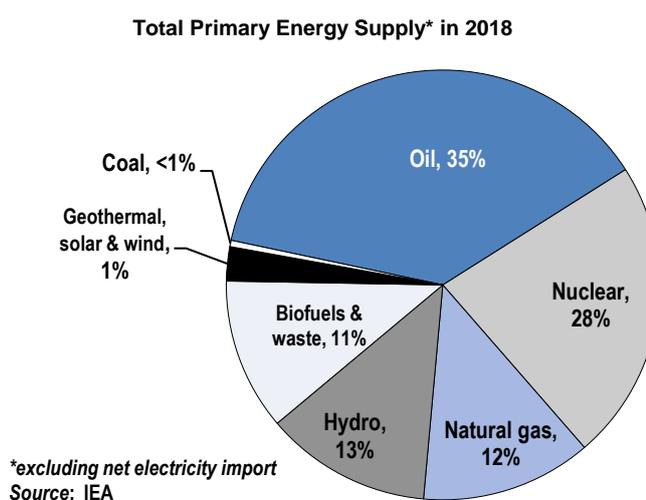


## Switzerland

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, eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa) and EU Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine)

### Energy resources and market structure

As a landlocked country producing no fossil fuels, Switzerland relies heavily on hydro-electricity and nuclear power to meet the bulk of 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 30% of the total primary energy supply (TPES) in 2018, will gradually be phased out with Swiss voters backing the proposal in a May 2017 referendum. In the wake of this electoral decision, the Mühleberg nuclear power plant went off-line, marking the first of five Swiss nuclear power reactors to be decommissioned. Due to the scarcity of fossil-fuel production and the overhaul of the country's policy towards nuclear power, imports of types of energy products account for over a half of the country's total primary energy supply in 2018.



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, when multiple refineries were still in operation. 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.

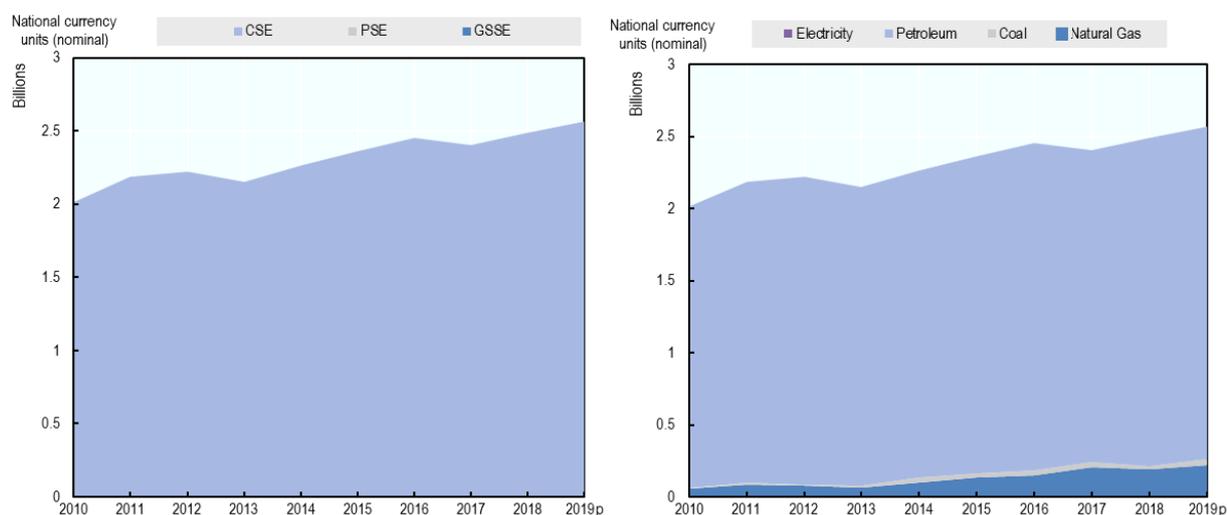
Fossil fuels contribute very little to electricity generation in Switzerland since hydro-electric and nuclear power can cover up to 97% of the country's electricity needs, depending on hydrological conditions. Competition was introduced for large customers with the 2008 Law on Electricity Supply (the *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, with the normal rate set to 8.0% up until December 2017, and has since been slightly lowered at 7.7% after this period. Additional taxes are levied on heating and process fuels (CO<sub>2</sub> levy), on the sales of mineral oils and a private organisation-collected compensatory surcharge for CO<sub>2</sub> emissions on motor fuel oil. Electricity is also subject to a renewable production support levy in a form of a network surcharge.

### 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

The bulk of fossil fuel support instruments in Switzerland can be seen on measures benefitting the transportation sector. Largest among these are excise tax exemptions on most uses of aviation fuels that normally applies to most sales of mineral oils in the country. For individuals, there are also deductions claimable from the federal direct tax on commuting expenses capped at CHF 3,000 at the federal level, where Switzerland has a relatively high use of fossil-fuels in both in its transportation sector.

Significant revenue forgone amounts can also be observed on exemptions on CO<sub>2</sub> levy for certain large energy-intensive companies for fuels used on heating and non-energy purposes. The CO<sub>2</sub> levy was introduced in January 2008 at a price of CHF 12 per tonne of CO<sub>2</sub>. Because interim targets have not been met, this price was raised in 2010 (CHF 36 /t CO<sub>2</sub>), 2014 (CHF 60 /tCO<sub>2</sub>), 2016 (CHF 84/tCO<sub>2</sub>) and, as of 2018, it has reached a level of CHF 96, which explains the increase in total support. To offset potential losses of competitiveness arising from the tax, certain large industrial users of energy (i.e. energy-intensive companies) can be exempted from the additional charge levied on heating and process fuels since 2008. Those companies must, however, commit to legally-binding CO<sub>2</sub>-reduction targets or are covered by the Swiss emission trading scheme ETS.

Since Switzerland produces no fossil fuels, all support measures target final consumers, mainly the transportation (85% of total support estimate (TSE) in 2019) and the industrial (15% of TSE) sectors .

Examples of measures	
<b>Capped deduction of commuting expenses from the federal direct tax (2016-)</b>	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.
<b>Excise-Tax Refund for Farming, Forestry, and Fishing (1997-)</b>	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.