

EU/Switzerland Agreement: linking of their greenhouse gas emissions trading systems

2017/0193(NLE) - 16/08/2017 - Preparatory document

PURPOSE: to approve the conclusion, on behalf of the European Union, of an agreement between the European Union and Switzerland on the linking of their greenhouse gas emission trading schemes.

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: Council may adopt the act only if Parliament has given its consent to the act.

BACKGROUND: cap and trade systems are policy tools that cost-effectively reduce greenhouse gas emissions. The European Union has been implementing its Emissions Trading Scheme (ETS-EU) for more than ten years.

The development of a well-functioning international carbon market through **bottom-up linking of emissions trading systems** is a long term policy goal of the EU and the international community, notably as a means to achieve climate objectives, including under the Paris Agreement.

Linking enhances the cost-efficiency of emissions trading.

The [Directive](#) establishing the EU's Emissions Trading Scheme (EU ETS) allows for the EU ETS to be linked with other emissions trading systems provided they are mandatory, have an absolute cap on emissions and are compatible. In 2010, the Council adopted a Decision authorising the Commission to **open negotiations with Switzerland** for a link between the EU and the Swiss greenhouse gas emissions trading systems.

Overall, **the design of the Swiss ETS is very similar to that of the EU ETS:** the same gases and industry sectors are covered, with equal inclusion thresholds; definition of the liable entities at installation level; compatible allocation methodologies; similarity of quantitative and qualitative standards for international credits; same compliance periods (2013-2020).

In addition, like the EU ETS, the Swiss ETS is currently undergoing review for its next period from 2021 to 2030.

CONTENT: the Commission proposes that the Council decide to approve, on behalf of the Union, the **agreement between the EU and Switzerland on the linking of their greenhouse gas emission allowance trading schemes.**

In concrete terms, the agreement:

- sets out the key objectives and principles for linking the two emission trading schemes and establishes a joint committee, which is the main steering body of the agreement. Once the link between the EU ETS and the Swiss ETS is operational, emission allowances that originate from one system shall be eligible for compliance in the other system;
- provides that the two systems may adopt more stringent provisions than the essential criteria to ensure compliance, and that systems may be subject to legislative developments without the need for substantial re-negotiation provided that the systems continue to meet the essential criteria;
-

establishes a process for information-sharing and coordination in areas of relevance to the agreement to ensure its proper implementation;

- specifies that Switzerland will mirror the EU ETS aviation provisions (not yet covered by the EU ETS) in the Swiss ETS before the entry into force of the Agreement;
- establishes a dispute resolution mechanism;
- specifies that allowances not allocated for free must be auctioned in an open, transparent and non-discriminatory manner;
- contains a commitment by the parties to protect sensitive information.