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Switzerland's Submission on Pre-2020 Implementation

Inputs to inform the round table among Parties and non-Party stakeholders on pre-2020 implementation and ambition at COP 26

Introduction

Switzerland welcomes the call for submissions extended to Parties by decision 1/CP.25 to inform the round table among Parties and non-Party stakeholders on pre-2020 implementation and ambition at COP 26. Switzerland considers that regular reporting on such actions by Parties – through National Communications, Biennial Reports and Biennial Update Reports – is a useful step to strengthen climate action.

In this submission, Switzerland presents an additional and non-exhaustive list of actions of Switzerland's pre-2020 climate policy. Switzerland Seventh National Communication, its Fourth Biennial Report[1], and its Greenhouse Gas Emissions Inventory[2] under the UNFCCC provide already relevant information on current and planned policies. In this submission, Switzerland also shares its recommendations for the round table discussions among Parties and non-Party stakeholders on pre-2020 implementation and ambition at COP 26.

Switzerland's pre-2020 implementation

Ratification of the Doha amendment to the Kyoto Protocol
By ratifying the Kyoto Protocol in 2003, Switzerland undertook to reduce its greenhouse gas emissions between 2008 and 2012 by 8% compared with 1990 levels. This commitment was increased for the period 2013-2020. Switzerland ratified the Doha amendment to the Kyoto Protocol on 28 August 2015. Its quantified economy-wide emission reduction target is minus 20 % in 2020 below the emissions of the year 1990. This corresponds to a budget of 84.2 % of the base year 1990.

National implementation
Switzerland fulfilled its emissions reduction target of minus 8% compared with 1990 levels for the first commitment period under the Kyoto Protocol (2008-2012), particularly through emission reduction measures taken within the country. Switzerland is now closely monitoring the implementation of its objectives for the second commitment period.

Switzerland's international emission reduction commitment is implemented nationally through Switzerland's core climate policy, the CO_2 Act, as well as corresponding policies and measures. The CO_2 Act prescribes a reduction in greenhouse gas emissions of 20% by 2020, to be achieved through domestic measures. The instruments established to fulfil this target include the CO_2 tax on heating fuel, the implementation of an emissions trading scheme, the reduction in CO_2 emissions from new cars, the obligation for fuel importers to compensate for some of the CO_2 emitted by transport, a Buildings

[1] https://unfccc.int/sites/default/files/resource/CHE_BR4_2020.pdf and https://www.bafu.admin.ch/bafu/en/home/topics/climate/state/data/climate-reporting/national-communications-and-biennial-reports.html
[2] https://www.bafu.admin.ch/bafu/en/home/topics/climate/state/data/climate-reporting/latest-ghg-inventory.html

Programme, and a Fund that promotes climate-friendly technologies. These policies are further detailed under Chapter 4 of Switzerland's Seventh National Communication[1].

Switzerland submitted its greenhouse gas emissions inventory for the period from 1990 to 2018 to the UNFCCC Secretariat on 14 April 2020. It provides a comprehensive picture of national greenhouse gas emissions under the Kyoto Protocol. Over the last 25 years, Switzerland has experienced substantial economic and population growth. These two parameters influence the consumption and production of energy, traffic volumes and the number and volumes of heated buildings, which strongly impact greenhouse gas emissions in almost all sectors. Compared to 1990, despite Switzerland's real gross domestic product (GDP) rising, greenhouse gas emissions in this period nevertheless decreased slightly: in 2018, emissions were around 14% lower than in 1990. New buildings are better insulated than in the past, cars have become more fuel efficient, heating oil is increasingly replaced by natural gas and electricity (e.g. for heat pumps) and the trend away from petrol- to diesel-powered passenger cars also contributed to a reduction in CO_2 emissions. According to its inventory, greenhouse gas emissions in Switzerland in 2018 amounted to 46.4 million tonnes of CO_2 equivalents (CO_2 eq.), around 1.5 million tonnes less than in 2017. According to current estimates, however, significant challenges remain, namely in the transport sector. Switzerland will nevertheless achieve the international target of minus 20 percent by 2020. Switzerland will partly use emission reductions abroad. In addition, deficits at the national level must be bridged by 2030.

In order to accelerate the implementation of its climate objectives, the Swiss Parliament approved the third CO_2 Act in September 2020, which will guide climate action in Switzerland for the next decade. The third CO_2 Act is subject to a facultative referendum and, if endorsed, is intended to enter into force in 2022. It includes the following instruments:

- <u>CO_2 Levy</u>: Switzerland's current CO_2 Act includes a number of measures for achieving statutory CO_2 emissions targets, including a CO_2 levy. This incentive tax on fossil combustible fuels, such as heating oil and natural gas, has been levied since 2008. The CO_2 levy is imposed on all fossil heating and process fuels (e.g., heating oil, natural gas). As of 2018, it is CHF 96 per tonne CO_2, one of the highest CO_2 levy rates in the OECD. Motor fuels (petrol, diesel) are not affected by the CO_2 levy. The third CO_2 Act allows this rate – while already being one of the highest worldwide – to further increase up to a maximum of 210 Swiss francs per tonne of CO_2 in the coming years, as a ratcheting-up mechanism automatically increases the rate of the CO_2 levy on heating and process fuels if intermediate targets are not met.

- <u>Emissions trading scheme</u>: Switzerland's climate policy includes an emissions trading scheme based on the cap and trade principle, enabling the cost effective achievement of climate-protection targets. Large greenhouse gas-intensive companies are required to participate, medium-sized companies may voluntarily participate. Companies included in the emissions trading scheme are exempt from the CO2 levy on heating and process fuels. The emissions trading scheme shall be continued and strengthened under the Third CO_2 Act and will deliver the most of the mitigation effort from industry. Importantly, the emissions trading schemes of Switzerland and the European Union will be linked. Most importantly, this requires identical sectoral coverage. Therefore, Switzerland will have to include aircraft operators and gas-fired combined-cycle power plants in its emissions trading scheme. The maximal amount of available emission allowances (cap) will be reduced at 2.2 per cent per year instead of 1.74 per cent per year.

- <u>Binding agreements with companies</u>: Switzerland's current climate policy also includes binding agreements with eligible small and medium-sized companies. Emission reduction targets take the technological potential and economic viability of measures into account. Targets are calculated from the starting point along a simplified or individual linear reduction course to the endpoint in the year 2020. Alternatively, economically viable measures (measures target) can be determined. The negotiated reduction commitments (for exemption from the CO_2 levy) has proven to be a useful instrument to cut emissions at the level of companies. It shall continue with little changes.

- Levy on airline tickets: The revised law introduces for the first time a levy on airline tickets, of 30-120 Swiss Francs per ticket, depending on the distance travelled and the class of transport. The tax will be levied on all flights departing from Switzerland. Transit flights, flights for medical purposes and flights for sovereign purposes will be exempt from this charge. Private flights will also be taxed, between 500 and 3,000 francs, depending on the size of the aircraft. The levy will be redistributed to the people and businesses. Half of it will be directly redistributed. Nearly half of the tax will go to a new Climate Fund (see below), which will be established for investment in innovation and in CO2 emission reductions such as for modernizing insulation of buildings or the de-carbonization of the traffic.

- Climate Fund: as a further strengthening measure, the partial earmarking of the CO_2 levy will now be used for a number of climate reduction measures in Switzerland, which are no longer limited to the refurbishment of buildings, as is the case under the current law. The Parliament indeed wishes to replace the current incentive instruments by a Climate Fund. This fund shall be financed by the CO_2 levy (partial use of maximum one third), the levy on airline tickets (less than half of the proceeds) and by the revenue from sanction payments and the auctioning of emission rights in accordance with the CO_2 law. The Climate Fund will be used to finance long-term emission reduction measures of CO_2 emissions from buildings, including measures to reduce electricity consumption in the course of winter months. The Confederation will also finance energy planning measures. In doing so, it intends to promote local renewable energy sources and measures to replace fossil fuel by heat production from renewable energy sources. In addition, the cantons and communes will be able to receive financial support from the Climate Fund of up to CHF 25 million per year, for projects aimed at reducing greenhouse gas emissions. Moreover, financial assistance or guarantees may be granted to promote the innovations to directly or indirectly reduce greenhouse gas emissions. A part of the Climate Fund may also be used to support mitigation measures in other countries. As a particularly new and innovative instrument, Switzerland is aiming to reduce through this mechanism additional emissions abroad to compensate for the “grey” emissions imported through products to Switzerland. The new CO_2 Act indicates that these additional emission reductions abroad financed through the new Climate Fund should correspond as far as possible to the emissions that occurred abroad during the production of goods imported to and used in Switzerland. Accordingly, these additional emission reductions will not be counted towards Switzerland’s emissions reductions objectives. The reduction of these emissions will be triggered through the Climate Fund. Finally, the federal government will also use the fund to finance measures to prevent the spread of damage resulting from climate change. The introduction of a new Climate Fund therefore represents a support measure that could lead to more "green jobs" in Switzerland, especially for the small and medium sized enterprises. This will be all the more important in the context of post-COVID-19 recovery efforts.

Alignment of financial flows (Art. 2.1.c of the Paris Agreement)
The Paris Agreement commits the international community to align financial flows with climate goals (Art. 2.1c). In this context, the Swiss government in 2017 invited Swiss pension funds and insurance companies to test the climate compatibility of their portfolios. The offer attracted widespread interest. This exercise was renewed and broadened in 2020. Over 150 pension funds, insurances and banks, representing a large share of all assets under management in Switzerland, tested their financial portfolios for climate compatibility. The 2020 climate test results showed that the test in 2017 has demonstrably led to greater transparency for financial institutions regarding climate damaging and climate friendly investments and has triggered tangible action. By their own account, half of all participants in the two rounds of testing implemented climate-related initiatives in the wake of their 2017 test results, and now on average score more environmentally friendly than their competitors. In addition,

a long-term low greenhouse gas emission development strategy will be developed for all relevant economic sectors, in compliance with the Paris Agreement. This will include measures to ensure the climate alignment of financial flows.

In order to promote alignment of financial flows at the international level, Switzerland and the Netherlands presented the initiative ahead of the UN Climate Action Summit 2019 in New York. Participating governments and financial institutions pledged to compare their investments and financing with climate benchmarks. The first assessments started in early 2020 and involve the governments of Austria, Denmark, Italy, Luxembourg, Norway, Portugal, Spain, and Sweden, in addition to Switzerland and the Netherlands. Private financial institutions, their industry representatives, public financial institutions, and supervisory authorities can also voluntarily participate.

Contribution to the 100 billion roadmap

Switzerland actively participated in the core group of countries involved in the 100 billion roadmap and is committed to implement the ambitious actions highlighted in the roadmap. To calculate Switzerland's share of the collective target, the Federal Council took into account the national economic capacity and the greenhouse gas emissions directly caused by the country (the causality principle). Based on a weighted consideration of the two criteria, the Federal Council estimates Switzerland's fair share to be between 450 to 600 million US dollars per year.

Since 2009, Switzerland has continuously increased its support for climate action to developing country Parties in need. Switzerland's public climate finance has seen a steady increase over the past years. Standing at 175 million US dollars in 2012 the respective amount grew to 299 million US dollars in 2014, 330 million US dollars in 2016, and 340 million US dollars in 2018. In 2018, Switzerland's climate financing from all sources amounted to almost 554 million US dollars. Switzerland thus achieved the target set by the Federal Council for international climate financing, i.e. a contribution of between 450 and 600 million US dollars to the 100 billion roadmap. Through its contributions to multi-annual multilateral funds, such as the Green Climate Fund and the Global Environment Facility, Switzerland is committed to providing predictable climate finance. In addition, Switzerland's bilateral support for climate action is based on a cooperative, bilateral dialogue with the various recipient countries.

Friends of Fossil Fuel Subsidy Reform (FFFSR)

Since 2010, Switzerland is an active member of the "Friends of Fossil Fuel Subsidy Reform" (FFFSR), a joint initiative by Costa Rica, Denmark, Ethiopia, Finland, New Zealand, Norway, Sweden, Switzerland and Uruguay to promote the removal or reform of subsidies to fossil fuels in an effort to help fight climate change. Switzerland supports informal exchanges on this topic and the promotion of links to the NDCs through the Friends' network and through a novel network of francophone countries, which is meeting at the occasion of multilateral climate negotiations

Agriculture

The Swiss agriculture will continue to reduce its GHG emissions in the future, in particular those of CH4 and N2O that have decreased since 1990, while agricultural production has further increased. Since 2011, Switzerland has a climate strategy for agriculture, i.e. the declaration of intent to reduce greenhouse gas emissions from agriculture by one third by 2050 compared to 1990 with technical, operational and organisational measures and by another third with measures influencing food production and consumption.

Switzerland's recommendations for the round table on Pre-2020 Implementation

Switzerland has fulfilled its obligations under the Convention as well as under the Cancun Agreements. Switzerland has equally taken seriously its commitments under the Kyoto Protocol: following the successful implementation of its objectives in the first commitment period, it will realize its objectives for the second commitment period. Other industrialized countries also met their targets for the first commitment period of the Kyoto Protocol and Annex B countries even surpassed the target of 5.2% on average.

Countries involved in the implementation of the Kyoto Protocol account only for some 14% of the world's GHG emissions. Therefore, pre-2020 implementation as defined under Kyoto Protocol is insufficient to realize the objective of the UNFCCC to “stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system”. It is also insufficient to limit global warming below 2°C (and even less than 1.5°C) compared to the pre-industrial era, as recommended by science. Indeed, emissions in developing countries have meanwhile increased considerably. Since anthropogenic climate change is a transnational problem, global solutions are needed to combat it effectively. The rapid increase in emissions by emerging economies, however, demonstrates that the strict differentiation between developing and developed countries made so far is no longer appropriate: since 2010, the annual emissions of developing countries have been higher than those of developed countries. Furthermore, the IPCC predicts that the cumulative emissions of developing countries will reach the same level as those of industrialised countries already from 2025 onwards. Some developing countries are already among the ten largest emitters both in absolute terms and per capita. This shows that the global problem of anthropogenic climate change can be solved only with the cooperation of all States.

For Switzerland, complete and transparent reporting as agreed upon by the Parties to the UNFCCC is indispensable for building trust and, thus, for a targeted international collaboration with regard to climate change issues. For this reason, Switzerland is concerned by the fact that many countries have not fulfilled their reporting obligations under the Convention and Cancun. This lack of transparency is a key challenge for the climate change regime. On the one hand, it makes it difficult to understand the challenges and difficulties countries may have in implementing the Convention. On the other hand, transparency is equally important in the context of the collective goal to mobilize jointly USD 100 billion for climate action in developing countries by 2020 and through to 2025 in the context of meaningful mitigation action and transparency on implementation.

Switzerland welcomes the decision by the UNFCCC Bureau to hold the Pre-2020 Round Table in November 2020. Though this agenda item will hence be concluded, the discussions at the round table can provide useful insights as we move into the implementation phase of the Paris Agreement.

Switzerland suggests seizing the opportunity of the round table to reflect on how lessons learnt from the pre-2020 implementation period can feed into a robust and effective implementation of the Paris Agreement.

In particular, countries should be invited to reflect on the following questions:

- How can experiences and best-practices from the pre-2020 implementation period feed into the development of actions and measures by Parties and other stakeholders to implement the Paris Agreement;
- Similarly, how can countries utilize the lessons learnt from the pre-2020 implementation period to accelerate the implementation of the Paris Agreement, through the submission of ambitious NDCs and Long-Term Low Emissions Development Strategies;
- What are the factors that impeded transparency under the pre-2020 implementation period, and what are the built-in provisions to ensure a robust enhanced transparency framework under the Paris Agreement;
- How can we use the lessons learnt from the pre-2020 implementation period to enhance the mobilization of support for climate action through inter alia the broadening of the donor base that reflects countries’ capacities and accelerates the implementation of climate objectives;

- How can we optimize the contribution of non-party stakeholders, and what are the lessons learnt from the pre-2020 implementation period in this regard? Optimally, non-party stakeholders would also be invited to contribute to this conversation.