



Factsheet, 20 December 2024

# Electricity

## What is it about?

Switzerland is physically and geographically closely integrated into the EU's electricity system, but it lacks legal guarantees. This is disadvantageous for several reasons:

- The lack of legal certainty negatively affects Swiss electricity import and export capacities. Switzerland's national grid operator, Swissgrid, has only limited involvement in the European processes for ensuring grid stability. As a result, Switzerland's national grid is affected by unplanned electricity flows.
- Swiss electricity suppliers are not able to participate in the EU's internal electricity market.

The electricity agreement is intended to help strengthen security of supply and grid stability, while also simplifying electricity trading.

## Outcome of the negotiations

An electricity agreement enables Swiss players to participate in the EU internal electricity market on an equal footing and without obstacles. It also means they can participate in EU trading platforms, agencies and bodies that are important for electricity trading, grid stability, security of supply and crisis preparedness. The operator of the transmission system, Swissgrid, will be fully integrated into European processes for operating the transmission system. Cooperation between Swiss authorities and institutions and their counterparts at European level will be secured.

Opening of Switzerland's electricity market: The electricity agreement allows all Swiss end consumers to freely choose their electricity supplier. Households and businesses below a certain consumption threshold will be able to remain in the basic supply with regulated prices or return to it (subject to notice periods and potential switching fees during the year). Comprehensive accompanying measures are also planned to protect free-market customers and electricity industry employees. Swiss electricity suppliers and distribution system operators can remain in the public sector and integrated into the public administration.

Security of supply: The EU attaches great importance to security of supply in the internal electricity market. An electricity agreement means neighbouring countries may not restrict cross-border capacities to Switzerland (in the sense of export restrictions), even in the event of an energy crisis – this was explicitly stated. The electricity agreement increases security of supply and reduces the need for electricity reserves. However, the construction of reserve power plants in Switzerland will still be possible in future if necessary, therefore preventing any power shortages. The EU allows Switzerland to take specific Swiss characteristics into account when analysing demand, which increases the room for manoeuvre. This flexibility is safeguarded as an exception to the dynamic adoption of legislation. A transition period of six years has also been negotiated for any Swiss reserves that are not compatible with electricity agreements, which will ease the transition. Meanwhile, Switzerland can also strengthen cooperation with EU bodies with regard to grid stability, security of supply and crisis preparedness.

Expansion of renewable energies: The electricity agreement explicitly stipulates cooperation in the area of renewable energies and intends to increase the share of renewable energies in the energy system. The energy agreement sets an ambitious but non-binding target for the further expansion of renewable energies. By signing the electricity agreement, Switzerland also adopts rules on state aid. The promotion of electricity from renewable sources is also permitted in the

EU, but it is regulated. The most important Swiss support measures for renewable energies were safeguarded in the negotiations by declaring them compatible with EU law.

Swiss hydropower: The electricity agreement contains no provisions on water rates or the granting of licences for hydropower plants. Practices in this regard can continue. The temporary reduction in the water rate as part of the promotion of renewable energies (investment contributions for hydropower) is explicitly safeguarded in the electricity agreement. The electricity agreement also stipulates that Switzerland can decide on the conditions for the utilisation of hydropower itself and that hydropower can be in public ownership.

No new environmental law requirements: Under the electricity agreement Switzerland does not commit to adopting EU environmental law, but does guarantee a high level of environmental protection in the electricity sector that is equivalent to that of the EU. Switzerland is free to apply stricter rules in environmental law if it would like to do so.

The electricity agreement does not apply to the consumption of electricity and energy (heating, efficiency measures in buildings, etc.). This means that it does not encroach on cantonal competences in these areas.

In addition, a transition period of seven years with financial compensation for Swiss contract holders has been agreed for the removal of the priority of long-term contracts. Hydropower plants with existing, minor feed-in priorities will retain these for a transition period of 15 years.

Finally, the agreement contains a clause stating that Switzerland and the EU will examine a more extensive cooperation in the energy sector, particularly for hydrogen and renewable gases.

**The objectives of the negotiations were achieved.**

### **Importance for Switzerland**

Switzerland has over 40 cross-border power lines, so it is closely associated with the electricity grid of its neighbouring countries. Meanwhile, the electricity supply throughout Europe is facing major challenges. An electricity agreement between Switzerland and the EU is important in addressing these challenges as it regulates Switzerland's access to the European electricity market, minimises risks such as unplanned electricity flows, and increases security of supply. Public service in Switzerland remains assured even under the electricity agreement.