

CO₂ compensation in Switzerland
Federal Office for the Environment

Key points

In accordance with the revised Federal Act on the Reduction of CO₂ Emissions (CO₂ Act), which came into force in 2013, fuel importers must compensate for part of the resultant CO₂ emissions. According to the sector's assessment, the sum that it must invest in projects and programmes up to 2020 in order to reduce emissions amounts to some CHF 1 billion. These projects are audited by currently ten private audit offices and approved by the Federal Office for the Environment (FOEN) in collaboration with the Swiss Federal Office of Energy (SFOE). The projects receive certificates for proven CO₂ reductions. Those with compensation obligations have the most interest in receiving certificates, as they must submit them to the FOEN as proof of the compensation achieved.

CO₂ compensation in Switzerland still being developed

The Swiss Federal Audit Office (SFAO) audited the governance of this instrument and the effectiveness and efficiency of core processes. The SFAO believes that the instrument is still too complex. Furthermore, various inefficiencies have been detected, there are gaps in project approval and monitoring, and the statutory requirements have been heavily influenced by lobbying.

Great complexity and provisions that are not binding result in uncertainty and unequal treatment

All stakeholders agree that CO₂ compensation is a very complex instrument. The validation and verification of projects and programmes are thus difficult to organise and accompanied by uncertainty. There is a lot of scope for interpretation, and audits involve considerable work. The regulatory provisions are not always clear despite the fact that the compensation office helped to improve them with additional aids and tools. Nevertheless, the fact that the provisions are not binding leads to different methods being applied, a greater amount of audit work and ultimately also to a risk of the projects being treated unequally. For this reason, the SFAO recommends that the provisions be applied bindingly. There is also uncertainty with regard to the continuation of the instrument after 2020.

Audit offices are not producing the required quality and are creating more work for the compensation office

As a result of the poor quality of some of the audit offices' audits, the FOEN itself is obliged to audit many of the dossiers once more. This means that there is inadequate separation of the functions of supervision and enforcement. The SFAO therefore recommends that the FOEN no longer perform enforcement work, but instead assume greater supervision over the audit offices. Moreover, the FOEN should invoice the requesters for the additional work (e.g. caused by missing project documentation) based on the "user pays" principle and not as a lump sum of CHF 1,400, as is the current practice. A greater workload is caused in particular by audit offices working at rock-bottom prices and not producing the required quality.



The independence and quality of the audit offices must be greatly increased overall. Similarly, provision must be made for possible sanctions with regard to both the poor quality of the audit offices and false information provided by project owners.

Consumers pay some CHF 200 million for previously financed projects

In relation to those with compensation obligations, it has been found that basically one single organisation and thus a substantial market power has materialised. However, the Act makes provision explicitly for the development of compensation pools. The prices offered by the compensation pool to the projects are agreed contractually between them. The FOEN does not know the details. Even the fuel consumer, who finances the instrument, is not familiar with the tax or how much it is. In some "self-implemented" projects that were taken over from the Climate Cent regime, the consumer is paying approximately CHF 200 million extra up to 2020, even though these projects were already financed by the Climate Cent regime. While this approach is permissible according to legal opinion, it is nevertheless questionable.

The compensation office has itself identified weaknesses with regard to communication, internal processes and insufficient resources. Measures have been introduced, some of which are already taking effect. In this way, internal processes and the control environment can be improved. With the current, improved resource situation, the share of power with regard to the other stakeholders can now become more balanced.

Cases of high redistributions to successful stakeholders in processes not yet perfected

Some of the dossiers audited by the SFAO using spot checks do not paint a positive picture. For instance, the Association of the Swiss Cement Industry cemsuisse was issued with certificates worth some CHF 50 million without the reductions claimed by cemsuisse being checked. The timber industry also claimed certificates potentially worth some CHF 160 million, whereby the industry's own representative developed the financially relevant statistical models. Moreover, although the process revealed some outstanding points in the validation stage, various derogations were granted.

In its audits of other dossiers, the SFAO found that the quality of the documentation submitted varied greatly. Any missing documentation or information must be submitted to the FOEN at a later date. Once again, the issue of excessive bureaucracy cropped up here. The SFAO only partially shares this opinion. In view of the considerable financial resources to be redistributed, the large scope for interpretation and the uncertainties, a thorough audit is preferable. This currently involves plausibility and spot checks for the most part. Some details are based on self-declaration and cannot be checked at all. The SFAO recommends preventive measures in this area to prevent fraud.

Original text in German