

Audit of subsidies for environmental remediation in the hydropower sector

Federal Office for the Environment

Key facts

Under the Energy Act and the Waters Protection Act, those responsible for hydropower plants are required to take environmental remediation measures by 2030. The aim is to enable fish to pass dams, restore the bed load balance and limit the impact of rapid changes in water levels.

These measures are financed entirely by electricity consumers, via the grid supplement fund. A levy of 0.1 cents per kilowatt-hour has been collected since 2012, and is earmarked for hydropower environmental remediation. By 2030, this subsidy will amount to around CHF 1 billion in total. However, the FOEN estimate puts the total cost of the environmental remediation measures at several billion francs.

The Swiss Federal Audit Office (SFAO) audited the management and implementation of the subsidy by the Federal Office for the Environment (FOEN) by examining a sample of ten projects in detail.

Neither those responsible for the plants nor the cantons share in the compensation for environmental remediation measures. Against this backdrop, the federal government is the only party with an interest in the cost-effective use of the subsidy. It has to ensure that the financial aspect is taken into account at every stage of projects. The SFAO believes that current implementation needs to be improved at various levels.

The FOEN must strengthen its control concerning the cost-effectiveness of measures

When examining new measures, the FOEN assesses their proportionality. It uses a list of clearly defined environmental criteria to assess their usefulness. With regard to costs, the FOEN has to ensure that it has an accurate overview at all times, which was not always the case in the past.

In addition, the FOEN has to use all the means at its disposal to make sure that the subsidy is used in a cost-effective manner. The Subsidies Act stipulates, for example, that the competent authority may set "all the conditions required to ensure that the funds are used for their intended purpose and that the task is performed in a cost-effective, timely and appropriate manner" (Art. 17 para. 3). Specifically, the FOEN has to closely monitor the proprietary goods/services invoiced by those responsible for plants, which can exceed CHF 1 million for certain projects and which are never put out to tender. Moreover, the FOEN must request the reimbursement of overpaid amounts.

Finally, to ensure that the subsidy is managed efficiently and in compliance with the law, the FOEN must develop a risk-oriented control plan. This plan, which can be based on the many documents already prepared, will have to define more precisely the roles and responsibilities of the various players (those responsible for plants and the cantons, in particular), taking the interests of each into account.

A change in the legal basis is needed to carry out environmental remediation

Given the progress made on the projects, the FOEN considers that it is unrealistic to carry out the environmental remediation of the hydropower sector by 2030, for major hydropeaking and downstream installations on large rivers, as required by law. Furthermore, it believes that several billion francs will be needed to implement the measures.

In this situation, the Energy Ordinance, which provides for projects to be financed on a "first come, first served" basis, contravenes the Subsidies Act, since neither the public interest nor the degree of environmental urgency is taken into consideration.

The SFAO recommends that the FOEN initiate a modification of the legal basis so that the combination of different parameters, such as environmental objectives, timeframes, financing and prioritisation of projects, allows the environmental remediation of the hydropower sector to be carried out efficiently and cost-effectively.

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