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## Security of gas supply in Switzerland

### Introductory remarks

Final gas consumption in Switzerland accounts for about 15 % of total final energy consumption. Around 99 % of gas demand is met by imported natural gas and 1 % by biogas fed into the grid from Swiss production. Around half of the natural gas imported into Switzerland comes from Russia.

Swissgas, the Swiss public limited company for natural gas, is responsible for the procurement of natural gas in cooperation with the four regional companies (Erdgas Ostschweiz, Gasverbund Mittelland, Erdgas Zentralschweiz and Gaznat). The regional companies supply local gas suppliers and large industrial customers and operate the regional transport networks. The regional companies also procure part of their requirements themselves. In the canton of Ticino, the local gas supplier AIL (Aziende Industriali di Lugano) procures natural gas in Italy.

As a pipeline-bound energy carrier, natural gas is transported from source to use in pipelines laid underground. The current Pipeline Law of 1963 (RLG) contains the basis for a monopolized operation and a concession system. It also obliges network operators to provide transport services for third parties. In 2020, the Swiss Competition Commission (WEKO) ruled that even smaller end consumers are in principle free to choose their supplier. In addition, there are different conditions for third-party supply and access to the transport network in the various network areas. There are also four different balance areas in Switzerland.

In order to strive for a uniform gas market throughout Switzerland, the Gas Supply Act (GasVG) was drafted and was subject to consultation from October 2019 to February 2020. The Federal Council intends to adopt the dispatch on this in 2022.

### Securing gas supply in times of crisis

The Russian war of aggression against Ukraine is causing great instability and price increases on the gas markets. The gas business, and in particular gas imports from Russia, is also increasingly a sensitive political issue. On 25 March 2022, for example, the Federal Council introduced further sanctions against Russia, thus joining other EU sanctions. They include an embargo on goods for the oil industry and oil refining. The export of goods for the Russian energy sector and related services are prohibited. Participations and the provision of loans or other financial resources to companies active in the Russian energy sector are also prohibited. However, neither Switzerland nor the EU have imposed an actual import ban on Russian gas, unlike the United States and Great Britain.

In response to the EU's economic sanctions against Russia, Russian President Vladimir Putin threatened, among other things, to stop delivering natural gas to Europe via the Nord Stream 1 pipeline and to accept payment for natural gas deliveries only in the Russian currency, the ruble. These threats and discussions about a possible boycott of Russian gas by the EU are exacerbating supply insecurity.

### Measures to ensure supply security

Switzerland is also affected by the increased instability on the energy markets. Switzerland has no large gas storage facilities and is almost entirely dependent on continuous imports and thus on the international gas market to cover its gas needs.

Due to the geopolitical situation, the EU and many countries in Europe are also looking for alternative and additional supply options for the next winter. The EU aims to coordinate the procurement of natural gas and liquefied natural gas (LNG) at EU level. In addition, the EU member states have concluded solidarity agreements for the mutual supply of gas in emergency situations. Switzerland is not included in this system.

Against this background, the Swiss Federal Council decided at the beginning of March 2022 to take measures to strengthen gas supply security in the winter of 2022/23. It now expects the Swiss gas industry to procure additional storage capacities abroad as well as gas, LNG and LNG terminal capacities quickly and in a coordinated manner. Since, due to their size, the corresponding procurements can only be made jointly by the gas companies, agreements are necessary within the industry. The Federal Council has given assurances that there is no need to fear any consequences under anti-trust law. The Federal Department of the Environment, Transport, Energy and Communications (DETEC) and the Federal Department of Economic Affairs, Education and Research (EAER) have been instructed to work out the relevant modalities by the end of April 2022 in collaboration with the Competition Commission (WEKO) and the Swiss gas industry.

A first meeting of a newly formed steering committee was also held on 25 March 2022. Under the leadership of the head of DETEC and the head of the EAER, this committee is tasked with closely monitoring and coordinating the work on security of supply in the energy sector. Various players are responsible for security of supply in the energy sector. They want to tackle the challenges together. In addition to the two Federal Councillors, representatives of the Conference of Cantonal Energy Directors (EnDK), the Swiss Federal Electricity Commission (EiCom), the Association of Swiss Electricity Companies (VSE), the Swiss Gas Industry Association (VSG) and top representatives of Swissgrid, Alpiq, Axpo, BKW and Repower therefore took part in this meeting. The steering group is headed by Benoît Revaz, Director of the Swiss Federal Office of Energy (SFOE).

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