

GHR Energy Law Quarterly – October 2021

Switzerland - Support system for renewable plants – transitional measures

Introduction

The parliamentary initiative no. 19.433 (Girod) "*Uniform promotion of renewable energies. One-off payment also for biogas, small hydropower, wind and geothermal energy*" was dealt with by both the Swiss Parliament's Council of States (*Ständerat*) and the National Council (*Nationalrat*) in September and adopted in the final vote on 1 October 2021. Based on this, individual amendments to the Energy Act and the Electricity Supply Act (EnG, StromVG) will be brought forward and implemented even before the extensive revision of these two federal laws, announced by the federal government (*Bundesrat*) as an overarching decree.

Specifically, a transitional regulation is being created to maintain the investment volume for electricity production from renewable energy sources until the aforementioned overarching decree enters into force. Biogas, small hydropower, wind and geothermal energy have so far been supported mainly by a cost-oriented feed-in tariff (KEV). Such feed-in tariff system will expire at the end of 2022. The bill now being discussed by the parliamentary initiative is intended to prevent a gap in the support instruments thereafter. For a limited period until the end of 2030, the feed-in tariff system is to be replaced by investment contributions for all technologies.

Investment contributions

Investment contributions are now provided for all generation technologies. For certain photovoltaic plants, both with and without self-consumption, the award of subsidies can now take place by means of auctions. New hydropower plants with a capacity of at least one megawatt, new wind energy plants with a capacity of at least two megawatts, new biomass and also geothermal plants can benefit from investment contributions of a maximum of 60 percent of the eligible costs.

For biomass plants, contributions to operating costs can also be applied for. The funds for this and the other support instruments, will continue to be financed through the grid surcharge. As in previous years, such surcharge has been left unchanged at 2.3 Swiss cents per kilowatt hour for the year 2022. The new investment contributions and the auctions are intended to enable more new capacity to be added with the same subsidies compared to the feed-in tariff system.

Finally, the production costs for electricity from renewable domestic production may continue to be fully included in the tariffs for end consumers in the basic supply beyond 2022 (Art. 6 para. 5bis StromVG).

Market premium

For large hydropower plants with 10 MW, the funds made available will be doubled compared to the current law (i.e., 0.2 cents/kWh instead of 0.1 cents/kWh). The subsidy of the market premium for large hydropower plants will also be extended until the end of 2030, instead of expiring at the end of 2022.

Promotion of projects

To ensure that redevelopment projects move forward, the Federal Office for the Environment is now required to take decisions on contributions as a rule within six months and in consultation with the siting canton.

The Federal Department of the Environment, Transport, Energy and Communications DETEC may approve pilot projects for the development of innovative technologies, business models or products in the energy sector, insofar as these are necessary to gain experience with a view to amending the law. Such pilot projects are to be limited to four years, with the possibility of an extension of two years. The Electricity Supply Act (StromVG) contains corresponding provisions for the authorization of such pilot projects. The bill was, so to speak, carved out of the

overarching decree in order to encourage innovation already now.

Water tariff

The regulation of the water tariff, which is valid until the end of 2024, will also be extended until the end of 2030. The maximum of 110 Swiss francs per kilowatt of gross output will thus remain in place for at least another 9 years. The Federal Council (*Bundesrat*) thus has more time to accomplish the difficult task of presenting a new water rate model that has majority support.

The measures are to enter into force on 1 January 2023 in order to fulfil their purpose as a transitional solution.

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