Factsheet, 13.06.2025

Electricity

Overview

Switzerland is closely integrated with the European electricity system, both physically and geographically, yet this situation lacks any legal foundation with the EU. Moreover, Switzerland is not part of the EU internal electricity market. This absence of legal certainty and market integration creates several disadvantages:

- The availability of cross-border transmission capacity cannot be guaranteed. This means that electricity imports into Switzerland could be restricted in certain circumstances, potentially compromising security of supply.
- Swissgrid, which operates Switzerland's electricity transmission network, has only limited integration with European processes for maintaining grid stability. This complicates grid operation, for example through unplanned electricity flows, thereby creating risks and additional costs.
- Swiss electricity companies cannot participate in the EU internal electricity market. As a result, Switzerland cannot fully benefit from its flexible hydropower resources and misses out on trading opportunities.

The electricity agreement strengthens security of supply and grid stability, while also simplifying electricity trading.

Key elements

The new agreement allows Swiss electricity companies to participate fully in the EU internal electricity market on equal terms and without barriers. It also gives them access to EU trading platforms, agencies and bodies that are essential for electricity trading, grid stability, security of supply and crisis preparedness. The transmission system operator, Swissgrid, will be fully integrated into European processes for operating the transmission system. Cooperation between Swiss authorities and institutions and their European counterparts will be secured.

Opening of the Swiss electricity market: Under the electricity agreement, Switzerland must guarantee that all electricity customers have the freedom to choose their supplier. Switzerland retains the right to maintain a regulated basic supply alongside this market opening, including regulated prices for households and enterprises that use less than a certain amount of electricity. Customers will be able to switch to the open market or return to regulated basic supply, subject to deadlines and switching costs that may apply during the year. The authorities may also introduce accompanying measures to protect electricity customers or workers in the electricity industry. Swiss electricity suppliers and distribution network operators may remain under public ownership and control.

Security of supply: The EU places great importance on security of supply in the internal electricity market. Under the electricity agreement, neighbouring countries cannot restrict electricity flows to Switzerland (i.e. impose export restrictions), even during an energy crisis. The agreement explicitly states that cross-border transmission capacity must remain available, particularly during times of crisis. This strengthens Switzerland's security of supply and reduces the need for electricity reserves.

The electricity agreement also allows Switzerland to build up the domestic reserves needed for security of supply. The agreement guarantees Switzerland the right to take specific Swiss characteristics into account when analysing the demand for reserves. this provides for additional flexibility. This flexibility has been secured as an exemption to the obligation to dynamically align with EU legislation.

To ease the transition, a six-year transition period has been negotiated for any Swiss reserves that do not comply with the electricity agreement. In the meantime, Switzerland can strengthen its cooperation with EU bodies on grid stability, security of supply and crisis preparedness.

Expansion of renewable energies: The electricity agreement explicitly requires cooperation on renewable energies and commits to increasing their share in the energy system. It sets a target for further expansion. Under the agreement, the EU will again recognise Swiss certificates of origin for renewable electricity. The agreement also means Switzerland adopts EU rules on state aid. The most important Swiss support measures for renewable energies were secured during negotiations by being declared compatible with EU law.

Swiss hydropower: The electricity agreement contains no provisions on water royalties or the granting of licences for hydropower plants. Switzerland can therefore maintain its current practice. The agreement explicitly safeguards the temporary reduction in water royalties as part of renewable energy promotion (hydropower investment grants). It also stipulates that Switzerland can decide independently on the use of its hydropower and that hydropower can remain 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 equivalent to EU standards. Switzerland may also apply stricter environmental standards if it wishes.

The electricity agreement does not cover electricity consumption, other energy sources, or energy efficiency (in buildings). It does not affect cantonal powers in these areas.

In addition, Swiss electricity suppliers will receive financial compensation for the removal of feed-in priority for long-term contracts in the cross-border electricity grid during a seven-year transition period. Hydroelectric power plants located near the border with existing minor feed-in priorities will retain these for a 15-year transition period.

Finally, the agreement contains a clause whereby Switzerland and the EU will examine further deepening of cooperation in the energy sector, particularly for hydrogen and renewable gases.

Implementation in Switzerland

The agreement will be implemented in Switzerland in two stages. The first stage covers elements that are essential for the functioning of the EU internal electricity market, including opening the market to all electricity customers (with standard regulated basic supply at regulated prices for households and small enterprises).

The first stage of implementation will involve amendments to the Electricity Supply Act, the Energy Act, and the Federal Act on Oversight and Transparency in Wholesale Energy Markets. The most important amendments are summarised below:

Market regulation: Under the electricity agreement, Switzerland will open the market to all electricity customers, enabling everyone to choose their electricity supplier freely. This market opening will be accompanied by a regulated basic supply with regulated prices for households and small businesses with an annual consumption of less than 50 MWh per consumption site. They can choose to remain with the basic supply or return to it. Additionally, accompanying measures are planned to protect consumers and employees in the electricity industry. These include a comparison platform for market offers, a new ombudsman service with arbitration facilities for customer disputes, guidelines on contract terms in the free market, monitoring of the small customer market by the Federal Electricity Commission (ElCom), and countermeasures should there be any negative effects on electricity industry employees. An estimated 17 major distribution network operators will need to comply with enhanced legal and organisational unbundling provisions, separating grid operations from power generation and supply. However, they may remain in public ownership and integrated into public administration if desired. The rules governing supervision and transparency of wholesale energy markets will also be slightly adapted to align with EU standards.

Networks: Until now, the Electricity Supply Act (ESA) has granted physical feed-in priorities in the cross-border electricity grid for long-term contracts and hydroelectric power plants on the border, such as Rhine power plants. The EU abolished its feed-in priorities in 2003 at short notice and without compensation, as they impede the EU internal electricity market. When the agreement is implemented, feed-in priorities under the ESA will be abolished. However, Switzerland will provide multi-year financial compensation for the affected electricity suppliers, as stipulated in the agreement.

Security of supply: Implementing EU rules to ensure security of supply and an adequate electricity system will mean assigning new roles and responsibilities to Swiss institutions (such as the SFOE or ElCom) or adapting existing ones.

State aid: The electricity agreement declares the most important existing Swiss support measures compatible with the agreement and secures them for several years. Future support measures must be designed to avoid conflict with the agreement. Furthermore, the future Swiss state aid monitoring authority must be involved at the design stage.

The second stage of the agreement's implementation, covering further aspects of market and network regulation, will follow no later than three years after the first stage. Responsibility for network regulation will be transferred to the independent Federal Electricity Commission (ElCom) no later than five years after the agreement enters into force.

Importance for Switzerland

Switzerland is closely integrated with the European electricity system but remains outside the EU internal electricity market, meaning EU rules do not currently apply. This limits Switzerland's cooperation with the EU and neighbouring countries.

Meanwhile, electricity supply across Europe faces major challenges from decarbonisation, nuclear phaseouts in some countries, and the electrification of the energy system. Cross-border electricity flows will increase significantly, intensifying the challenges Switzerland faces through its exclusion from the internal electricity market.

Integrating Switzerland into the EU internal electricity market will streamline electricity trading. The agreement will strengthen security of supply and ensure grid stability. It allows Switzerland to fully benefit from its flexible hydropower on European markets, safeguards electricity imports, fosters competitive pricing, cuts electricity supply costs, and accelerates the transition to climate-neutral energy.

Economically, this will deliver efficiency gains and greater prosperity. Wholesale electricity prices will likely fall, and grid and reserve costs may be lower, also benefiting end customers. Switzerland's public service obligations in electricity will remain completely intact under the electricity agreement.

Specifically

- **Free choice of electricity provider:** Currently, households cannot choose their electricity provider. Depending on where you live, you are tied to a specific basic provider. Electricity tariffs in one commune can be significantly higher than in neighbouring areas. You might also prefer a provider offering more domestic hydropower or flexible tariffs for heat pumps or electric cars.

  Large consumers, such as companies with high electricity usage, can already participate in Switzerland's electricity market. Under the electricity agreement, small consumers like households will also be able to switch providers and choose from a wide range of offers covering price, electricity origin and environmental quality, plus tariff flexibility. Small consumers who do not wish to choose their own provider can stay with their local supplier under the regulated basic supply with controlled prices. However, those who have previously chosen the free market can basically return to basic supply.