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Swiss Citizens Vote in Favor of New Net Zero Law

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On June 18, 2023 Swiss citizens voted in favor of a **new climate law** intended to promote carbon neutrality by 2050. The Federal Act on Climate Protection Targets, Innovation and Strengthening Energy Security, known as the Climate and Innovation Act, aims to reduce pollution and produce more energy for the country. Switzerland imports approximately three quarters of its energy, including all of its oil and natural gas. Under the Climate and Innovation Act, Switzerland would gradually reduce its consumption of oil and natural gas in order to become climate neutral by 2050. A second goal is for the country to produce more renewable energy in-country, rather than relying on imports.

The climate law **includes a broad package of measures** to achieve net zero, including intermediate national and sector-specific targets for emissions reductions, initiatives to reduce energy consumption, and incentives to help migrate industry, buildings and homes away from the use of fossil fuel-based power. The law requires that, between 2031 and 2040, the country achieve an average of 64% GHG reductions, at least a 75% reduction in 2040, and at least 89% between 2041 and 2050. It also sets specific GHG emissions targets for carbon-intensive sectors.

A majority of Swiss voters — 59% — **approved the new law** with higher majorities in larger cities such as Geneva (74%) and Basel (73%). The country's parliament accepted the law in September 2022, but opposition from the right-wing Swiss People's Party forced a nationwide referendum. Following the passage of the law, the Swiss government must now put in place specific regulatory and legislative measures to achieve the Climate and Innovation Act's stated goals.

Taking the Temperature: The approval of the Climate and Innovation Act follows other climate-related initiatives by Switzerland. As we noted late last year, Switzerland adopted the "Ordinance on Climate Disclosures," which will require large Swiss public companies, banks, and insurance companies to report climate risks using a similar approach to the EU regulatory framework. The measure takes effect on January 1, 2024. The Swiss Federal Council also proposed adopting a narrower definition for sustainable investments earlier this year in an effort to increase clarity for investors and curb greenwashing. Such developments bring Switzerland's approach to fulfilling its obligations under the Paris Agreement closer to alignment to the EU Green Deal.

Switzerland's commitment to climate-change action has been previously criticized for lacking ambition. In particular, the country had entered into carbon credit agreements with, among others, Georgia, Peru, Senegal and Ghana, under which the Swiss government would finance sustainable projects in those countries to effectively cancel out its carbon emissions. The Swiss government had originally planned to offset 12 million tons of carbon – a third of its total planned reductions – through such agreements. However, as we have frequently discussed, carbon credit agreements can lack transparency and effectiveness. Purchasing carbon credits can result in countries focusing less on reducing carbon emissions at home and placing a greater burden on developing countries. It also has been argued that many projects subject to carbon credit agreements would have proceeded even without financing from the relevant country, so-called additionality, which runs contrary to the provisions of the Paris Agreement. Further, in 2021, Swiss voters rejected an amendment to the Federal Act on the Reduction of Greenhouse Gas Emissions, which would have set more ambitious carbon reduction targets.