

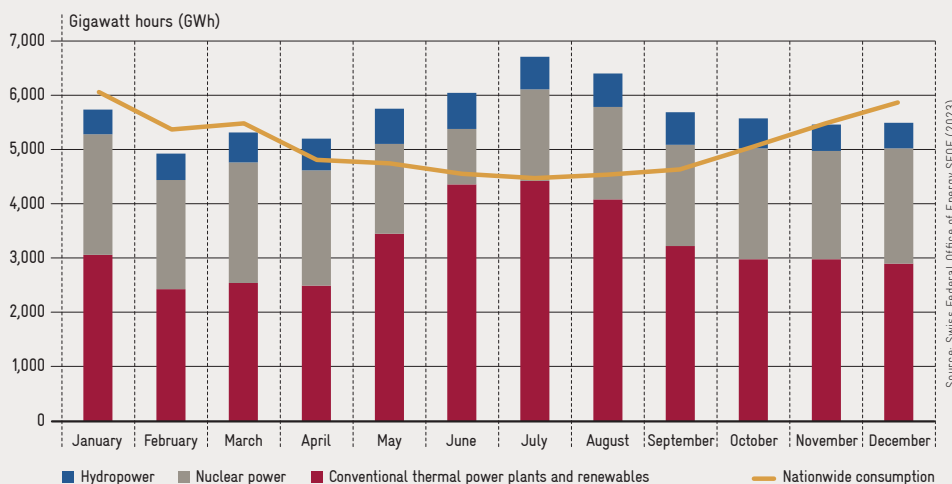
Agreement on Electricity with the EU

There are 41 lines linking Switzerland with the EU's electricity market. Better connected than any other nation technically, politically it's increasingly difficult for this country to take part in the cross-border flow of electricity.

Situation

The European Union's internal electricity market is deepening rapidly. Barred from participating as a third country, these developments still impact Switzerland. For example unplanned electricity flows from the EU through Switzerland increase the cost of stabilizing the grid. Swiss hydropower is at a competitive disadvantage to EU competitors if it wants to offer its energy abroad. Cross-border capacities are gradually being reduced, eroding Switzerland's import capacity and thus its security of supply, especially in winter. An electricity agreement would solve many of these problems. Concluding one remains a goal of the Swiss Federal Council.

Electricity generated and consumed in Switzerland (average 2019–2023)



Switzerland exports electricity in summer and imports it in winter. It can be assumed that this country will remain a net importer in the long term.

Facts

≤ 30%

By the end of 2025, 70% of cross-border grid capacity in the EU will have to be reserved for trading between the member states. If Switzerland is part of the remaining 30%, this reduces import capacity.

■ Switzerland and the EU were already **negotiating an electricity agreement** between 2007 and 2018. The EU is tying new market access agreements to an institutional solution, which became a distant prospect with Switzerland's rejection of the Institutional Framework Agreement.

■ **Technical agreements** can't make up for the lack of an electricity agreement. The disadvantages of non-integration with the EU's internal electricity market are also not compensated for by the necessary, accelerated expansion of domestic electricity generation.

■ The EU also has an economic interest in an **electricity agreement with Switzerland**. However, it can't put the principle of the level playing field up for discussion. Switzerland would thus have to open up its electricity market completely if an agreement were concluded.

■ But this would also create a chance to integrate power generation that fluctuates more heavily with **renewables** into the overall system. An electricity price that's more dependent on the supply situation creates demand-side incentives to adjust consumption.

Recommendations

Since selective market access in the electricity sector alone is out of the question for the European Union, Switzerland must **clarify its relationship with the EU as quickly as possible**. Otherwise there's a risk of further isolation and thus an additional **increase in the costs** of guaranteeing grid stability and Switzerland's

security of supply. Given the growing importance of other **energy sources such as hydrogen and synthetic fuels**, the aim should even be to strive for an **all-encompassing energy agreement** in the long term. In the short to medium term, however, the focus should be on electricity.

