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Electricity Agreement Switzerland-EU

Background

Switzerland is closely interconnected with the electricity grids of its neighboring countries. These physical and geographical interdependencies must also be secured from a legal perspective.

To integrate Switzerland into the European internal electricity market, Switzerland and the EU negotiated an agreement in 2024. The agreement forms part of the broader Switzerland-EU package (Bilaterals III), which aims to update and strengthen the framework governing relations between Switzerland and the EU. On 2 March 2026, the Presidents of the Swiss Confederation and the European Commission signed the Agreement between the Swiss Confederation and the European Union on Electricity (the "Electricity Agreement").

Key Features of the Electricity Agreement

The Agreement guarantees Switzerland access to cross-border transmission capacity by legally obliging the EU and its Member States to keep such capacity available and to refrain from imposing any export restrictions on Switzerland, including in situations of energy crises or winter supply shortages. This results in enhanced security of supply, further reinforced by the full integration of Switzerland's transmission system operator (Swissgrid) into the European coordination processes (ENTSO-E), which eliminates unplanned electricity flows and increases grid stability.

In addition, the Agreement strengthens Switzerland's integration into the European electricity market. Swiss electricity market participants are granted direct and non-discriminatory access to the European markets, including to market coupling (day-ahead and intraday) and to balancing platforms. This integration is complemented by the possibility for Swiss authorities and system operators to participate, in an advisory capacity, in the relevant key European bodies.

The Agreement also provides for the opening of the electricity market to all households and SMEs. While large consumers (>100 MWh/year) already have free access to the market, the Agreement now guarantees households and SMEs the freedom to choose their electricity supplier.

As part of the implementation of the Agreement, the Swiss Federal Council intends to retain the right of households and small businesses to receive basic electricity supply at regulated prices and to introduce a ten-year opt-in option for very small businesses (with annual consumption between 50 and 100 MWh).

These measures are complemented by consumer protection mechanisms, including a price comparison platform, an ombudsman service and market supervision by the Federal Electricity Commission. The possibility for electricity supply undertakings to remain in public ownership is, however, fully preserved.

Enhanced cooperation is also foreseen in the field of renewable energy. To that end, the Agreement provides for the reciprocal recognition of Swiss and European guarantees of origin for electricity.

Furthermore, the Agreement brings Switzerland within the scope of the European State aid regime. It nevertheless preserves the most

important support mechanisms, notably market premiums and investment grants, on a transitional basis for a limited period.

Lastly, with regard to hydropower, Switzerland's competences relating to concessions, water rates and ownership of hydropower installations remain unaffected.

Economic and Legal Advantages

The Electricity Agreement enables producers and suppliers to access cross-border trading platforms directly and on a non-discriminatory basis. Together with the recognition of Swiss certificates of origin, this facilitates the marketing of domestically generated electricity.

For Swissgrid, integration into the European processes contributes to strengthening grid stability, limiting unplanned electricity flows, and reducing operational risks and additional costs.

Finally, the legal guarantee of cross-border transmission capacity enhances security of supply and the legal certainty necessary for infrastructure investments.

Challenges, Risks and Legal Obligations

The Agreement also poses challenges for participants in the Swiss electricity sector. First, market opening results in adjustment costs for suppliers in relation to their procurement and sales processes. It also exposes the affected consumers to fluctuations in prices on the competitive market. In addition, the application of the European State aid rules results in more stringent regulatory requirements.

The Agreement also incorporates the REMIT Regulation (EU No 1227/2011) (Annex I). This requires an adaptation of Swiss law with regard to the oversight and transparency of wholesale energy markets and gives rise to new compliance obligations for wholesale market participants. More stringent requirements relating to the legal and organizational unbundling of network operation, generation and supply are also foreseen for the 17 largest Swiss distribution system operators.

Finally, the Agreement abolishes priority feed-in rights on cross-border interconnectors for long-term contracts and cross-border hydropower plants and replaces them with temporary financial compensation.

What's next?

As of early October 2026, the Agreement is still under parliamentary consideration. The Council of States is expected to examine the Electricity Agreement during the 2026 winter session.

If no referendum is requested, or if the proposal is approved in a popular vote, the Agreement will be ratified by Switzerland and the EU. The Agreement will enter into force only after such ratification.

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