



Factsheet: Agreement on Climate Change, Trade and sustainability

An innovative, dynamic and open plurilateral agreement

Overview

- Switzerland has concluded the ACCTS agreement with Costa Rica, Iceland and New Zealand. This agreement implements environmental policy objectives through legally binding trade policy disciplines.
- The ACCTS takes an innovative approach as an open, plurilateral agreement. It allows trade-open countries like Switzerland to concretise progress in international trade policy.
- The objectives of ACCTS are in line with the foreign economic strategy defined by the Federal Council, according to which Switzerland contributes to the multilateral rules-based trading system through its foreign economic policy and supports sustainable development in Switzerland and its partner countries.
- ACCTS does not form part of the World Trade Organisation's (WTO) legal framework but was developed in accordance with its rules. The trade in environmental goods and services is liberalised on a non-discriminatory basis, and thus will benefit all WTO Members.
- ACCTS is a dynamic agreement that can take up new topics and adapt to future technological developments and environmental policy challenges thanks to regular reviews.
- ACCTS envisages the accession of further WTO members and supports these with provisions on technical cooperation and the gradual introduction of the tariff elimination.

Environmental Goods

- By signing ACCTS, the parties undertake to exempt a total of 360 environmental goods from customs duties.
- Having already unilaterally lifted customs duties on all industrial goods since 1 January 2024, Switzerland is now also committing itself under international law to the liberalisation of these environmental goods.
- The list of environmental goods includes technologies in the field of environmental protection (e.g., biodegradable chemicals, environmental analysis), renewable energies and circular economy (e.g., solar or wind power) as well as energy efficiency (e.g., efficient controls/smart meters or electromobility).
- The description of the benefits of the individual goods is based on a systematic list of environmental objectives that is aligned with the System of Environmental Economic Accounting (SEEA) of the United Nations.
- In order to facilitate the future accession of further WTO members, the ACCTS provides for a transitional mechanism to postpone the introduction of the zero tariff on a limited number of products.

Environmental Services

- With the ACCTS, a list of 114 environmental and environmentally related services has been agreed for the first time. These services were selected independently of commercial interests based on a new definition.
- According to this definition, environmental and environmentally related services contribute substantially to achieving the environmental objectives set out in the agreement and must not have significant negative impact on the environment.
- The rationale for including the individual services is based on a list of environmental objectives that is aligned with the System of Environmental and Economic Accounting (SEEA) of the United Nations. This includes services that contribute to climate change adaptation and mitigation, prevent and reduce pollution, and promote the sustainable use, protection or restoration of biodiversity, ecosystems and natural resources.
- The parties undertake to refrain from discriminatory measures or measures that could impair market access for environmental services. Based on the list and their legislation, the parties make targeted commitments.

Environmental goods as well as environmental and environmentally related services prevent, measure, limit, minimise or correct environmental damage. Liberalisation and increased legal certainty strengthen the relevant value chains internationally and all the sectors involved in Switzerland. Environmentally friendly technologies can be implemented more quickly and at lower cost, contributing to more sustainable development. ACCTS favours the cost-effective supply of environmental goods and services in Switzerland, thereby facilitating its transformation in line with existing climate and environmental policy objectives.

Fossil Fuel Subsidies

- As the first international agreement, ACCTS provides a clear definition of fossil fuel subsidies (FFS) based on the WTO Agreement on Subsidies and Countervailing Measures (ASCM). Accordingly, the agreement applies to state measures that do not correspond to market conditions.
- FFS that are particularly harmful to the environment, such as subsidies for coal and subsidies for the production of oil and gas, are prohibited. In addition, the introduction of new FFS is principally prohibited.
- Existing, non-prohibited FFS can continue to be granted, but may not be extended. Switzerland can continue to apply its existing measures but is obliged to provide transparency regarding all subsidies covered by the agreement.
- Measures in the context of high climate and energy taxes are treated separately. It concerns measures such as tax refunds. They are not considered as FFS if they do not undercut the agreed value of carbon pricing for the individual contracting parties. In the case of Switzerland, the agreed value is CHF 50 per tonne of CO₂.
- Certain partial reimbursements of the mineral oil tax in Switzerland (e.g. for ski slope vehicles) are thus not considered as FFS. However, they are subject to the transparency obligations. By contrast, the non-collection or full reimbursement (e.g. for the Samnaun and Sampoir customs-free zones) are captured as FFS. They can be continued but not expanded. The partial reimbursements for agriculture and forestry, which are made on a flat-rate basis using standard factors, are not covered by the agreement.
- The Chapter contains a limited set of exceptions to safeguard fundamental policy goals, including for energy security and disaster resilience.
- In Switzerland, measures such as the financing of compulsory stockpiling, measures for existing and planned temporary reserve power plants and the reimbursement of the

CO₂ tax in connection with reduction commitments can be maintained in line with the exceptions. Similarly, the non-taxation of aviation fuel and the tax exemption of international organisations and diplomatic representations are justified based on the exception for the Parties' existing international obligations.

- The ACCTS parties commit to technical cooperation among themselves to implement the provisions on FFS and with non-parties to promote the importance of fossil fuel subsidy reform in furtherance of international efforts to address climate change.

Fossil fuel subsidies put a strain on public finances and favour CO₂-intensive technologies over low-emission ones, at the expense of climate policy objectives. The regulation of such subsidies, as agreed in the ACCTS, contributes to transparency and to limiting these market distortions in line with the net-zero target by 2050.

Non-binding guidelines for voluntary ecolabels

- ACCTS provides 13 non-binding guidelines to support voluntary ecolabels for goods and services. They are aimed at all stakeholders who introduce and apply voluntary ecolabels.
- Ecolabels can help market players to better differentiate products based on their environmental characteristics and allow suppliers to capitalise on the ecological added value of their products.
- The guidelines contained in ACCTS help to strengthen such ecolabels and improve the information available for the demand of sustainable goods and services and aim is to avoid misinformation and unnecessary barriers to trade.
- The parties shall each appoint a national contact point, tasked to publish the guidelines at national level and serve as a point of contact for interested stakeholders.

The non-binding guidelines serve to improve the quality of voluntary ecolabels without creating unnecessary barriers to trade. Consumers and producers receive important information that supports them in their purchasing decisions. In Switzerland, voluntary ecolabels are widely used. Enhancing their comparability and quality is in the interest of Swiss producers and consumers.

Institutional aspects and dispute settlement mechanism

- A Joint Committee consisting of representatives of the parties is responsible for monitoring and reviewing the implementation of the agreement. All decisions of the Joint Committee are taken by consensus.
- Every five to seven years, the Joint Committee conducts a general review of the agreement to examine its functioning and development.
- The dispute settlement mechanism provided for in the ACCTS is largely in line with Switzerland's practice in free trade agreements and is based on consultations and an arbitration procedure.
- The arbitration will be conducted by three ad hoc appointed, qualified and independent arbitrators.
- The final report of the arbitral tribunal is binding on the parties. If the report is not implemented by the losing party, the agreement provides for an innovative solution.
- In a first step, the parties should agree on compensation that is in line with the objectives of the agreement and thus promotes the contribution of international trade to tackling climate change and other serious environmental problems. Possible forms of

compensation would thus be additional liberalisation for environmental goods or services, or additional reductions in subsidies for fossil fuels.

- Should no agreement on compensation be reached, further institutional and disclosure measures are envisaged, as well as further measures to be developed by the Joint Committee.
- However, no countermeasures are planned, as a suspension of the obligations or the liberalisation would run counter to the environmental policy objectives of the ACCTS.

The ACCTS establishes a comprehensive institutional framework to ensure the implementation, smooth functioning and further development of the agreement. An effective arbitration procedure is in place to resolve disputes between the parties. This makes it possible to take account of the environmental objectives of the ACCTS. The agreement thus strengthens the rules-based multilateral trading system and creates legal certainty for international economic activities.