

AGREEMENT

between

the Swiss Confederation,

represented by

the **Federal Department of the Environment,
Transport, Energy and Communications (DETEC)**

CH-3003 Bern

and

the **Climate Cent Foundation (Foundation)**

Freiestrasse 167
CH-8032 Zurich

regarding

the modalities governing the use of the Foundation's assets
and the support of pilot activities carried out abroad in accordance with the Paris Agreement

Preamble

The Swiss Confederation (Switzerland) and the Climate Cent Foundation entered into agreements on the reduction of greenhouse gas emissions in Switzerland and abroad for the two target periods 2008-2012 and 2013-2020 (agreement dated 8 October 2013). These greenhouse gas reductions achieved via climate protection measures carried out within Switzerland and abroad were funded by a charge levied voluntarily by the Swiss petroleum industry on petrol and diesel imports.

In 2005, the DETEC and the Foundation signed an agreement that was extended by follow-up agreements in 2009 and in 2012. With these agreements, the Foundation committed vis-à-vis the Swiss Confederation to providing total emission reductions of 17 million tonnes of CO_{2eq} over the period 2008-2012. In November 2013, a report submitted to the DETEC by the Foundation reviewed the full record of its activities: the volume of emission reductions agreed with the Swiss Confederation was exceeded by a considerable margin.

The agreement dated 8 October 2013 on the one hand settles the modalities governing the termination of contractual relations between the Swiss Confederation and the Foundation for the target period 2008-2012, as well as the use of foreign emission reduction certificates and domestic emission rights remaining available to the Foundation after having fulfilled all agreements signed between 2005 and 2012. This part of the agreement has been satisfied.

On the other hand, the agreement dated 8 October 2013 settles the use of the Foundation's remaining assets until 2022. The Foundation is to use these assets exclusively for activities aimed at reducing emissions abroad. It is to primarily support projects that meet the quality requirements of the Swiss CO₂ Ordinance and that are expected to yield as many emission reduction certificates (CER2¹) as possible. Additionally, in consultative collaboration with the Swiss Confederation, the Foundation may invest in the development of its own pilot activities in accordance with Swiss negotiation stances under the UNFCCC regime.

On 28 August 2015, Switzerland ratified the Doha Amendment to the Kyoto Protocol and committed to reducing greenhouse gas emissions by an average of 15.8% compared to 1990 levels over the period 2013-2020. Switzerland plans to offset excess greenhouse gas emissions not covered by national legislation using foreign emission reduction certificates – just as it did during the first Kyoto commitment period. The Foundation and the Swiss Confederation have agreed to partly fund the emission reductions needed to meet the second Kyoto commitment period's emissions target using the Foundation's assets.

On 27 February 2015, Switzerland announced to the UNFCCC that it intends to lower its greenhouse gas emissions by 50% compared to 1990 levels by 2030. The country plans to reduce domestic greenhouse gas emissions by at least 30% compared to 1990 levels by 2030. It should be possible to provide the remaining amount of planned emission reductions of at most 20% abroad, using the possibilities granted by Article 6 of the Paris Agreement. By means of carrying out pilot activities, Switzerland aims to address concrete issues of implementation and use these experiences to submit practicable proposals for the formulation of international supplementary provisions for the Paris Agreement. One aim in particular will be to show that it is possible to meet the clear international standards demanded by Switzerland regarding sustainable development, environmental integrity and the prevention of double counting of emission reductions. In doing so, Switzerland confirms

¹ CER2: The term Certified Emission Reductions (CER2) is used for certificates stemming from projects for environmentally sustainable development (Clean Development Mechanism, CDM) according to Article 12 of the Kyoto Protocol that may be used during the second commitment period (2013-2020).

its commitment to upholding international market mechanisms under the international climate regime.

The Foundation and the Swiss Confederation have agreed to use part of the Foundation's as yet unused assets (amounts determined or to be determined by the Foundation Council) for pilot activities that may contribute to substantiating the possibilities set out by Article 6 of the Paris Agreement. As far as allowed by national and international rules and regulations, achieved emission reductions are to be used toward meeting Switzerland's emission reduction target under the Paris Agreement over the period 2021-2030.

1 Object of the agreement

This agreement settles the use of the Foundation's assets until 2032. It replaces the agreement dated 8 October 2013.

2 Duties of the Foundation

The Foundation must use its assets exclusively for measures aimed at reducing greenhouse gas emissions abroad.

The Foundation supports projects expected to yield emission reduction certificates that may be imputed toward Switzerland's commitments under international law. At the time of their purchase, these emission reduction certificates must meet the quality requirements of the Swiss CO₂ Ordinance (SR 641.711).

In addition, the Foundation plans to support activities aimed at concretising and applying the possibilities set out in Article 6 of the Paris Agreement until and after 2020 ("pilot activities"). To this end, it makes available an amount of at least CHF 20 million. In consultation with the Swiss Confederation, the Foundation Council may increase this amount at any time.

Pilot activities must meet the criteria set out in Appendix 1 and be in accordance with Swiss negotiation stances under the UNFCCC regime, in particular with the criteria formulated by Switzerland in its submissions. The objectives of the Paris Agreement and the decisions of the CMA² must be taken into account. Deviations from quality requirements set out in the applicable CO₂ legislation occur in consultation with Section 6 or with the Steering Committee (see clause 3).

The Swiss Confederation is invited at least once a year to attend meetings of the Foundation Council as a guest. It attends these meetings in an advisory capacity.

The Foundation's responsibilities are as follows:

- Sourcing, assessment, selection and supervision of pilot activities in consultation with Section 6 or the Steering Committee.
- Decision on the allocation of funds to pilot activities. The Foundation is to substantiate its decisions vis-à-vis Section 6.
- Where relevant, the allocation of funds takes place according to government procurement rules and policies, ensuring:

² Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

- transparency
 - fair competition among bidders
 - efficient use of funds
 - equal treatment of all bidders
- Regular information of Section 6 or the Steering Committee regarding the Foundation's activities. The Foundation informs the Steering Committee in writing as soon as irregularities become apparent in the carrying out of a pilot activity.
 - The Foundation submits an annual report to the Swiss Confederation on the use of its funds. The first report is due on 30 June 2017.

3 Duties of the Swiss Confederation

The Swiss Confederation uses emission reductions achieved within the framework of this agreement toward meeting Swiss climate targets with due regard to national and international climate protection legislation.

At an operational level, the Swiss Confederation's duties are carried out by the Interdepartmental Committee on Climate (IDA Klima), Section 6 "Emissions Trading and Flexibility Mechanisms". Section 6 is placed under the leading supervision of the DETEC (represented by the Swiss Federal Office for the Environment (FOEN)). The competent specialist units of the Federal Department of Foreign Affairs (FDFA) and the Federal Department of Economic Affairs, Education and Research (EAER) are permanent members of Section 6.

A Steering Committee is formed, bringing together representatives of the departments involved in Section 6 and the DETEC's General Secretariat. It decides on the signing of memoranda of understanding (MoUs) between the Swiss Confederation and host countries regarding pilot activities and on the amendment of existing MoUs.

The Foundation is invited at least once a year to attend meetings of the Steering Committee as a guest. It attends these meetings in an advisory capacity.

The Swiss Confederation's responsibilities are as follows:

- Advising the Foundation on the sourcing and assessment of pilot activities.
- Issuance of "no-objection" to the Foundation's selection of pilot activities.
- Political dialogue with host countries; drafting and supervision of MoUs for intergovernmental safeguards (regarding e.g. the allocation of emission reductions among countries). The Swiss Confederation informs the Foundation in writing as soon as irregularities become apparent in the carrying out of an MoU.
- Regular information of the Foundation regarding developments in the field of international market mechanisms.
- Informing the Foundation of proposals put forward by the DETEC regarding the further development of quality criteria for foreign emission reductions in post-2020 climate legislation.

4 Transfer of emission reductions

Until 30 June 2022, the Foundation hands over to the Swiss Confederation all CER2 delivered by that date, transferring them to the state's account in the Emissions Trading Registry (account number CH-100-1000-0, account name: Swiss Offset Account).

The Foundation hands over to the Swiss Confederation until 30 June 2032 all other emission reductions delivered by 31 December 2030. If these emission reductions are available in the form of emission reduction certificates and if there exists an infrastructure allowing them to be transferred to a national emissions trading registry, the Foundation transfers them to the state's account in the Swiss Registry.

5 Communication

The Foundation and the DETEC (acting on behalf of the Swiss Confederation) communicate jointly on activities carried out within the framework of this agreement.

6 Final provisions

6.1 Duration of the agreement

This agreement enters into force when signed by both parties and lasts until 31 December 2032. It may be terminated ahead of schedule by mutual consent. Unilateral termination by one of the parties is excluded.

6.2 Amendments to the agreement

Amendments to this agreement require the written form. They are settled by the contracting parties in an addendum to this agreement.

The agreement must be adjusted accordingly if framework conditions change significantly.

6.3 Applicable legislation

Unless otherwise provided by the agreement, the provisions of the Swiss Code of Obligations apply analogously.

6.4 Disputes

The General Secretary of the DETEC settles disputes relating to this agreement with an appealable decision.

Bern, 19th September 2016

Swiss Confederation,

Climate Cent Foundation

represented by the

**Federal Department of the Environment,
Transport, Energy and Communications
(DETEC)**

Doris Leuthard
Federal Councillor

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President

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