



JOINING THE IEF EFFORT FOR OIL TRANSPARENCY

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Switzerland, accounting for less than 0.2 per cent of world oil demand and CO₂ emissions, is a minnow player on international energy markets in terms of production and demand. However, Switzerland is a major crude and oil products trading hub, as it hosts the trading activity of about one third of worldwide trade.

Located in the centre of Europe, with well diversified oil and gas supplies, a fossil-free power plant fleet and few industries depending on fossil feedstock, Switzerland is relatively little exposed to oil and gas market instabilities. In the current context, oil and gas price movements are primarily viewed for their impact on demand trends and macroeconomic effects.

Our energy companies are chiefly concerned about record low European wholesale electricity prices eroding the economics of traditional Swiss hydropower. Immediate oil supply challenges arise from labour unrest in neighbouring countries rather than from geopolitics. The closure of one of our two refineries elicited more worries about its environmental clean-up than about security of supply. The public debate centres around the Paris Climate Agreement and its effects, such as a possible carbon bubble, high worldwide subsidies for fossil fuels and concrete measures to reduce CO₂.

However, current relaxed oil and gas prices should not lead to complacency. The IEF is well advised to examine oil and gas price volatility, its impact on investment and economic growth and to explore ways to mitigate recurring boom and bust cycles in the industry. The impact of such cycles on the energy supply chain and on demand remains a fact.

To better shelter itself from energy price volatility is one of the reasons why Switzerland has embraced an ambitious energy policy. Promotion of domestic renewable energies and efficient use of energy are mandated by the Swiss constitution. Our Energy Strategy 2050, which comprises an array of new policies, has emerged from broad public consultations and is in the final stages of parliamentary debate. It aims at further increasing energy efficiency to enable total energy demand to decline with no prejudice to demographic and economic growth. Stationary use of fossil fuels has been decreasing for years, due to the combined effects of a CO₂ tax, tightened building codes, and considerable support for the refurbishment of buildings.

Curbing transport fuel demand is proving more challenging, but there are signs of flattening demand due to improved engine efficiency, modest market penetration of alternative fuels, persistent expansion of public transportation and modal shift for freight transport, notably by means of a truck charge calculated on tonnage and distance driven. Electricity demand is to be stabilised, in spite of new applications such as heat pumps and electric vehicles. Greenhouse gas emissions are targeted to decrease 20 per cent by 2020 vs 1990 level; the 2030 target is minus 50 per cent vs 1990.

Switzerland is a major trading place for commodities, including oil and gas. As the sector has attracted increased public scrutiny in recent years, Switzerland has taken steps to increase transparency and accountability. It introduced stricter rules for over-the-counter (OTC) derivatives trading, combating money laundering and enhancing transparency. Switzerland supports the Extractive Industries Transparency Initiative (EITI) and promotes the application of voluntary corporate social responsibility (CSR) standards to commodity trading companies. In this context, continued efforts by the IEF to improve market transparency, including through JODI oil and gas, are to be welcomed.

Beacon of the Swiss spirit of innovation

Switzerland, as a member of an informal group of countries called Friends of Fossil Fuel Subsidy Reform, has been encouraging countries to phase out environmentally and economically harmful subsidies. Recent courageous developments in numerous countries are heartening. May the positive effects of these reforms — i.e. reallocated spending for infrastructure, health and education — become sufficiently visible to bolster reformist governments in case energy prices were to increase again in the future. In this context, we welcome the IEF addressing issues such as sustainable energy for all and climate policies.

We salute the IEF's engagement in the field of technology. It is needless to stress how technology has revolutionised the energy world in recent years. In 2013 Switzerland, as a highly innovative country, decided to increase its already sizeable public energy R&D funding by 25 per cent. We also heartily support innovation in sustainable technologies: Solar Impulse, the solar plane which has completed its flight around the globe, is the most prominent beacon of the Swiss innovation spirit. ■