Factsheet, 20 December 2024

State aid

What is state aid?

Companies that receive state aid benefit from economic advantages, which can distort competition. This includes subsidies for certain businesses or other financial benefits such as subsidised loans, government guarantees or tax concessions.

State aid may however be desirable if it is in the public interest, for example to bolster a region that is structurally weak as a business location or to promote green technologies.

At its core, the EU's state aid law is aimed at preventing undesirable distortions of competition and ensuring that all participants in the EU's single market have a level playing field. That is why the EU monitors the state aid processes of its member states.

Despite a general prohibition on state aid in the EU, there are numerous exceptions. Furthermore, countries that do provide state aid only require approval from the European Commission if the amount is above a certain threshold. Because of the generous exemption provisions, most state aid in the EU is automatically authorised without individual assessment. Over 95% of the state aid that must be reported to the European Commission is authorised.

The only monitoring function recognised by Switzerland to date is in the air transport sector, and is carried out by the Swiss Competition Commission (COMCO). Authorities granting subsidies in this sector are required to obtain an opinion from COMCO.

Outcome of the negotiations

In accordance with the negotiating mandate, it was possible to limit the obligation to monitor state aid to the overland transport, electricity and air transport agreements (the 1972 Free Trade Agreement and the Agreement on Public Procurement are not affected by the state aid rules, nor are they included in the package). The text expressly provides for exceptions for public services and thresholds/minimum thresholds. The state aid rules for the electricity agreement contain further sector-specific safeguards.

The two-pillar approach has been secured. Swiss state aid will be monitored by a Swiss state aid monitoring authority and the competent Swiss courts. The proposed monitoring system is compatible with the Swiss constitutional order and respects the competences of the cantons, the Federal Assembly and the Federal Council.

The federal government, cantons and communes will be required to report new instances of state aid to a Swiss monitoring authority if the subsidy exceeds a certain threshold or is not covered by the exemption provisions of state aid control (known simply as 'exemptions'). This monitoring authority would then issue a non-binding opinion on the proposed subsidies. Failure to observe an opinion may however result in the authority bringing a case before a Swiss court.

A transitional period of five years was agreed for the creation of the Swiss monitoring system. After this period, the authority will have an additional year to obtain an overview of existing state aid schemes. With regard to developments that affect important interests and EU industrial policy, a consultation mechanism has been set up that allows Switzerland to put forward its point of view.

State aid for public service provision, which is generally permitted in the EU, can remain unchanged. Individual assessments are often not required owing to the large number of exemptions and thresholds in place. Furthermore, the state aid rules do not apply if a public service does not fall within the scope of one of the three agreements concerned. In Switzerland, this applies for example to purely domestic public transport, which is currently not covered by the Overland Transport Agreement and will remain so in the future.

The negotiation objectives have been achieved.

Importance for Switzerland

Switzerland's open, medium-sized economy depends on having market access that is as extensive as possible. Key to this is the unhampered, broadest possible access to the EU's single market.

Switzerland's competitive, free-market economy means that it also has an interest in fair competition, and that state aid monitoring which enables Swiss companies to participate in the single market is also in its interests.

The need for adjustments in practice to existing state aid measures is manageable. COMCO already monitors Swiss state aid in the air transport sector in accordance with EU law, even though there is currently no reporting requirement and no possibility of appeal. State aid rules will also be introduced in the areas of electricity and overland transport. The most important existing subsidies for electricity have been secured in accordance with the negotiating mandate. There are no subsidies in overland transport that are incompatible with EU state aid law.