



Climate Policy, Fiscal Policy

New climate debt fund: ***Unfair instead of fair***

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At a glance

- The polluter pays principle must remain the cornerstone of a successful climate policy.
- Funding based on the watering can principle is expensive and ineffective.
- A new flood of subsidies with a new climate debt fund will lead to a climate policy dead end.

The climate debt fund rejoices in the end of individual responsibility for climate protection. The state should "promote away" climate change. The polluter pays principle is outdated. It is no longer the polluters who should pay for pollution, but the state through higher government spending. The catch is that the state is all of us and the bill follows on its heels. Switzerland has done well so far with its climate policy mix of subsidies and the polluter pays principle. The climate debt fund cannot offer better value for money:

Fundamentals of climate policy and environmental law

Firstly, the polluter pays principle has been an undisputed economic mainstream since the 1920s. At that time, the idea was born in welfare economics that those who cause negative effects should bear the costs of their actions themselves. Over the decades, this principle has developed into a cornerstone of environmental law - in the EU and also in Switzerland, with the Environmental Protection Act of 1983. Our heavy vehicle charge (HVC), for example, is also based on this principle - and nobody seems to regard it as outdated.

Inefficient subsidies

Secondly, Swiss climate policy has never followed the "pure doctrine" of the polluter pays principle, which now needs to be replaced with subsidy systems. It has long relied on massive subsidies, currently around CHF 3 billion a year. The watering can principle leads to waste and inefficiency. Analyses show that every second solar system or every second heat pump would be built even without subsidies. A climate fund worth billions would only make the situation worse. Things are no better in the EU either. The European "innovation fund" in the climate sector is sinking into the Brussels bureaucratic swamp. Less than 5 percent of the 7.1 billion euros in funding has reached companies so far. The idle time is enormous. Companies applying for money from this pot invest an average of 85,000 euros for a single application and some companies report up to 3,000 hours of work - because the procedure is so complicated. Nevertheless, only 20 percent of applications are successful. And of the approved projects, only 6 percent are actually running. The impact of more funding is therefore grossly overestimated.

Threatening financial burden for future generations

Thirdly, government spending is never "free", even if certain economists keep trying to make us believe this. We will all pay for it with higher taxes and less purchasing power. The 900 billion dollar "Inflation Reduction Act" in the USA, which includes massive subsidies in the climate sector, could cost the general public around 4.7 trillion (!) dollars by 2050, according to estimates. A bad deal for a country that already has to shell out a trillion dollars a year in interest on its massive debt. Everyone pays the costs, not just those who caused them. Switzerland has little debt, and it should stay that way. Future generations would have to pay for a climate fund and over 200 billion Swiss francs in new debt with significant losses in prosperity, without any guarantee of better climate protection.

Successes in the industrial sector: emissions halved

Fourthly, the market-oriented parts of Swiss climate policy are working well. The system of CO2 target agreements for companies works without subsidies and relies on the "sword of Damocles" of the CO2 levy. It has contributed significantly to the fact that our industrial sector has almost halved its emissions compared to 1990 and more than doubled its value added. Replacing such instruments with new subsidies and debt leads to a dead end.

Conclusion: The polluter pays principle is not finished, on the contrary. It is an integral part of a mix of climate policy measures that may not be perfect, but definitely offers better value for money than the new flood of subsidies from the climate fund.



Lukas Federer

Head of Department of Energy, Environment, Infrastructure and Digital Affairs, Member of the Extended Executive Board